Annual Report 2020/21
Südzucker AG

Get the Power of Plants

SÜDZUCKER

Contents

CONTENTS

Annual Report 2020/21

1 March 2020 – 28 February 2021
published on 20 May 2021

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 as a PDF file 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 parentheses 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 2021/22	8 July 2021
Annual general meeting Fiscal 2020/21	15 July 2021
Q2 – Half year financial report 1st half year 2021/22	14 October 2021
Q3 – Quarterly statement 1st to 3rd quarter 2021/22	13 January 2022
Press and analysts' conference Fiscal 2021/22	19 May 2022
Q1 – Quarterly statement 1st quarter 2022/23	7 July 2022
Annual general meeting Fiscal 2021/22	14 July 2022

Published by:
Südzucker AG
Maximilianstraße 10
68165 Mannheim, Germany
Phone: +49 621 421-0

Südzucker Group

→ P. 59

€ **6,679** [6.671] million
CONSOLIDATED GROUP REVENUES

€ **236** [116] million
GROUP CONSOLIDATED OPERATING RESULT

€ **475** [372] million
CASH FLOW

€ **300** [348] million
INVESTMENTS, thereof

€ **285** [335] million
INVESTMENTS IN FIXED ASSETS

3.8 [1.8] %
ROCE

€ **6.2** [6.4] Mrd.
CAPITAL EMPLOYED

1,511 [1,570] million
NET FINANCIAL DEBT

17,876 [19,188]
EMPLOYEES

OUTLOOK 2021/22

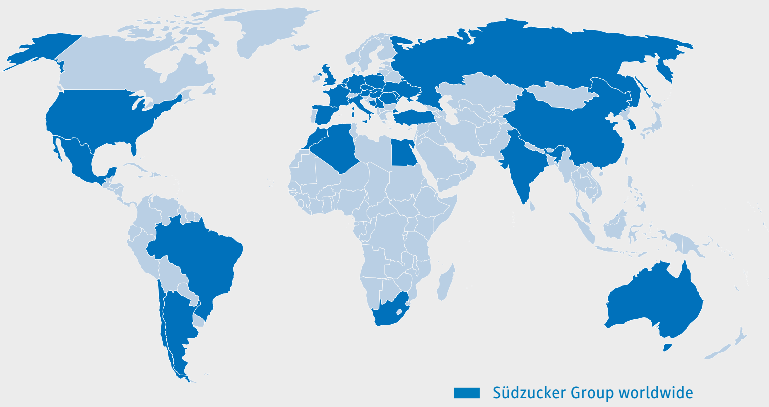
€ **7.0** to **7.2** billion
CONSOLIDATED GROUP REVENUES expected

€ **300** to **400** million
GROUP CONSOLIDATED OPERATING RESULT expected

CAPITAL EMPLOYED at previous year´s level and significant increase of ROCE expected.

LOCATIONS

over **100**
PRODUCTION LOCATIONS
in 32 countries



Sugar segment

→ P. 66

€ **2,252** [2,258] million
REVENUES

€ **–121** [–236] million
OPERATING RESULT

€ **2,685** [2,815] million
CAPITAL EMPLOYED

–4.5 [–8.4] %
ROCE

EUROPEAN MARKET LEADER

24.1 million tonnes
BEETS PROCESSED

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

23
SUGAR FACTORIES

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

2
REFINERIES

1 Bosnia-Herzegovina
1 Romania

Special products segment

→ P. 73

€ **2,487** [2,409] million
REVENUES

€ **197** [190] million
OPERATING RESULT

€ **2,242** [2,267] million
CAPITAL EMPLOYED

8.8 [8.4] %
ROCE

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

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

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

Portion packs

29
PRODUCTION LOCATIONS

6 Germany
2 Belgium
1 Italy
2 Netherlands
4 Austria
1 Romania
1 Spain
1 South Afrika
1 Czech Republic
1 Hungary
3 UK
1 Chile
5 USA

CropEnergies segment

→ P. 77

€ **774** [819] million
REVENUES

€ **107** [104] million
OPERATING RESULT

€ **465** [450] million
CAPITAL EMPLOYED

23.0 [23.1] %
ROCE

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

ANNUAL PRODUCTION CAPACITY:

1.2 million m³
ETHANOL

Factory for production of food carbon dioxide

4
PRODUCTION LOCATIONS

1 Germany
1 Belgium
1 France
1 UK

Fruit segment

→ P. 80

€ **1,166** [1,185] million
REVENUES

€ **53** [58] million
OPERATING RESULT

€ **829** [855] million
CAPITAL EMPLOYED

6.4 [6,8] %
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

41
PRODUCTION LOCATIONS

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

Key Figures

		2020/21	2019/20	2018/19	2017/18	2016/17
Revenues and earnings						
Revenues	€ million	6,679	6,671	6,754	6,983	6,476
EBITDA	€ million	597	478	353	758	709
EBITDA margin	%	8.9	7.2	5.2	10.8	10.9
Operating result	€ million	236	116	27	445	426
Operating margin	%	3.5	1.7	0.4	6.4	6.6
Net earnings	€ million	−36	−55	−805	318	312
Cash flow and investments						
Cash flow	€ million	475	372	377	693	634
Investments in fixed assets [1]	€ million	285	335	379	361	329
Investments in financial assets / acquisitions	€ million	15	13	15	432	164
Total investments	€ million	300	348	394	793	493
Performance						
Fixed assets [1]	€ million	3,209	3,322	3,221	3,260	2,972
Goodwill	€ million	722	740	730	1,390	1,191
Working capital	€ million	2,179	2,213	2,008	1,888	1,737
Capital employed	€ million	6,222	6,388	6,072	6,650	6,012
Return on capital employed	%	3.8	1.8	0.4	6.7	7.1
Capital structure						
Total assets	€ million	8,001	8,415	8,188	9,334	8,736
Shareholders' equity	€ million	3,564	3,673	4,018	5,024	4,888
Net financial debt	€ million	1,511	1,570	1,129	843	413
Net financial debt to cash flow ratio		3.2	4.2	3.0	1.2	0.7
Equity ratio	%	44.5	43.6	49.1	53.8	56.0
Net financial debt as % of equity (gearing)	%	42.4	42.7	28.1	16.8	8.4
Shares						
Market capitalization	€ million	2,661	2,873	2,625	3,014	4,921
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	€	13.03	14.07	12.86	14.76	24.10
Earnings per share	€	−0.52	−0.60	−4.14	1.00	1.05
Dividend per share [2]	€	0.20	0.20	0.20	0.45	0.45
Yield as of 28/29 February	%	1.5	1.4	1.6	3.0	1.9
Employees		**17,876**	**19,188**	**19,219**	**18,515**	**16,908**

[1] Including intangible assets.
[2] 2020/21: Proposal.

TABLE 001

Revenues by segment

€ million	2020/21	2019/20	+/– in %
Sugar	2,252	2,258	−0.2
Special products	2,487	2,409	3.2
CropEnergies	774	819	−5.5
Fruit	1,166	1,185	−1.6
Group total	**6,679**	**6,671**	**0.1**

TABLE 002

Operating result by segment

€ million	2020/21	2019/20	+/– in %
Sugar	−121	−236	−49.0
Special products	197	190	3.4
CropEnergies	107	104	3.0
Fruit	53	58	−8.8
Group total	**236**	**116**	**> 100**

TABLE 003

Südzucker Group
Get the Power of Plants

As a leading integrated group of companies with plant-based solutions for food, energy and other applications, we strive for a livable, healthy and sustainable world.

Südzucker is a multinational corporation whose sugar, special products and fruit segments are key food industry players, while its CropEnergies segment is the leading ethanol producer in Europe.

In the sugar segment, the group currently operates 23 factories and two refineries in Europe, producing sugar, sugar specialties and co-products such as animal feed.

The special products segment conducts business in high-growth dynamic markets consisting of the functional food ingredients for food and animal feed (BENEO), as well as chilled/frozen products (Freiberger), starch and portion packs (PortionPack Europe) divisions.

CropEnergies produces ethanol and animal food from renewable raw materials in Germany, Belgium, France and the UK.

The fruit segment is the world market leader for fruit preparations and a leading supplier of fruit juice concentrates in Europe.

Our core competencies comprise our broad-based expertise in the large-scale conversion of different 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. In this process, the raw materials are to a large extent fully utilized and refined. Our marketing focuses on business-to-business clients.

A strong ownership structure provides a reliable framework for the company's development.

SÜDZUCKER and the POWER of PLANTS

A film about product variety as outlined in our 2026 PLUS strategy

Get the Power of Plants

Diverse, modern and sustainable is how Südzucker is showcasing itself in 2021. As a leading integrated group, we harness the power of plants to produce a wide range of products for many different areas of everyday life, including sugar – as you might expect, of course.

But Südzucker does much more in the areas of nutrition and energy, as well as packaging and cosmetics. That is why our short film takes a look at a day in the life of Sarah. She guides us through the world of Südzucker and shows us the huge variety of products.

Simply scan the QR code and enter Sarah's world! You can find out more about our strategy starting on page 24 of this report.

AND … ACTION!

https://www.suedzucker.de/en/company

Sarah, the main character of our film, discovers Südzucker products throughout her everyday life and gets an insight into the working world of various Südzucker employees.

To our **shareholders**

MANNHEIM, 30 APRIL 2021

Dear Shareholders,

“Get the Power of Plants” – Südzucker Group, together with its employees, is expanding and strengthening its position as a leading integrated group of companies for developing, producing and supplying plant-based solutions – for nutrition, energy and more!

This slogan encapsulates Südzucker Group’s path to the future. It is directed at each and every employee, starting with the executive board, our customers, you, our shareholders, and all other company stakeholders. Our group strategy 2026 PLUS is based upon our employees, our customers, sustainability, plant-based solutions and profitable growth. We have set ourselves ambitious goals and launched a forward-looking change process that, with the engagement of all employees, will make “our Südzucker” more innovative, more customer oriented and more sustainable. A detailed description is provided in the Strategy section of this report.

No review of our last fiscal year would be complete without coverage of the coronavirus pandemic, which continues to confront us in a variety of ways every day. It has caused huge damage, not only economic, but also social. In this situation, our top priority as a producer of food, animal feed and ethanol for disinfection purposes was always to ensure that our products still reach customers across the globe, while at the same time protecting the health of our employees to the best of our ability. To achieve this objective we had to institute countless safety measures and adapt them over and over. We are fully aware that it is largely thanks to our employees’ commitment and accountability that we have been able to continue to operate and conduct business, to provide for our customers and ultimately to fulfill our social responsibility as part of the critical infrastructure. Our employees performed magnificently under these difficult circumstances, especially given the stressful restrictions in their private lives, and we would like to take this opportunity to express our sincere thanks.

It is difficult to assess how long and to what extent the pandemic will impact our future business development. Hygiene and social distancing rules, together with testing and vaccinations, provide reasons for hope. We are fully behind these important steps and support any measures that will lead us out of this pandemic.

Numerous other issues such as climate change have temporarily taken a back seat, at least in terms of importance to the general public. Nevertheless, in conjunction with our strategy workshops last year, we also looked very closely at how we as a company can take on even greater responsibility in this area. A sound sustainability strategy now entrenches sustainable business practice in all activities and at all levels of the company. Sustainable business conduct with economic, ecological and social responsibility is our guiding principle.

Corona restrictions weigh on group results

We had to scale back our original revenue and results targets. The impact of lockdowns on consumption also left their mark on our business numbers. It was also very challenging to continually and flexibly adapt our production, logistics and administrative processes on short notice to the latest amended regulations. We made great strides in digitizing our processes to help manage these tasks.

Thankfully, our diversification into a broad range of business fields contributed to the overall stability of the company, despite last year's difficult circumstances. Revenues of € 6.7 billion were close to last year's and the operating result doubled to € 236 (116) million. Contributions from the non-sugar divisions are virtually unchanged, while the sugar segment was able to further reduce losses, as forecast.

Recommended dividend same as last year

Since results improved further in fiscal 2020/21 just ended, the executive and supervisory boards will again recommend a dividend of € 0.20 per share at the annual general meeting.

Sugar segment further reduces losses

We made further progress in the sugar segment. Although the sugar segment's results turnaround was not yet achieved as budgeted, we were able to significantly reduce losses. Improved income from higher price realization and sustainable cost savings from the reengineering project initiated in 2019 both had a positive impact. However, lower sales volumes and higher production costs due to lower capacity utilization at our sugar factories because of an unexpectedly weak beet harvest - triggered by viral diseases and pest infestations on the sugar beet – offset the gains.

Let us touch briefly on the structural initiative. Capacity reductions were achieved by closing five sugar factories, streamlining administrative organizations and numerous other projects. We thereby significantly improved our cost structures and we will steadfastly continue along this path. Our aim is to simplify our business processes and align them more closely with customer needs. Further initiatives in purchasing, sales and logistics, some of which span multiple segments and divisions, should have a positive impact. Here too, our teams have already made significant progress, which will be reflected in lower costs in the coming fiscal years. The incentive for all these initiatives and changes is our aim to expand our position as Europe's leading sugar company.

Special products segment development mixed

In the special products segment, we experienced how diverse the effects of the pandemic can be: On the one hand, demand for frozen pizzas, which can be prepared easily and quickly at home, is on the rise; on the other hand, demand for portion packs used by the hotel and catering industry is plummeting due to lockdowns.

Aside from the trend toward convenience products, numerous nutritional trends, which we can serve with functional food ingredients from our broad range of products, have moved to the forefront. As a result, the special products segment was able to make a higher contribution overall to group results than last year.

For example, by switching production to individually packaged disinfectant wipes, PortionPack demonstrated how our divisions can flexibly adapt their product portfolios on short notice.

CropEnergies segment sets another results record

CropEnergies also experienced a bumpy year. Ethanol prices jumped up and down in tandem with mobility restriction implementation and easing. Ultimately the year ended with a net positive result and a new record. We were pleased when the British government decided to make E10 the standard fuel in the UK starting in summer 2021. It was good news after the slow rollout in many countries. The 'European Green Deal' and climate targets should make it easier to introduce E20.

In any event, there has been a high demand for technical grade alcohol in small containers for the production of disinfectants since March of last year, which we were able to meet on short notice, thereby enabling us to further contribute to combating the pandemic. We donated these products in some cases.

Fruit segment only slightly below forecast

The fruit segment faced significant challenges last year, as various factors combined to make things difficult; for example, the difficult global economic situation with lower overall demand in numerous countries and higher prices for raw materials. In spite of this, revenues and results were only slightly less than last year. We are confident that the fundamental parameters, such as rising demand for convenience food, naturalness, sustainability and health will have a positive impact on the further business development.

Our goals for the future

Our company's business environment continues to present numerous challenges that must be overcome. Government policy decisions play a major role. For example, we have to implement EU agricultural policy requirements and work with our beet growers to develop appropriate long-term solutions to protect our beet crops.

Implementation of regulations and targets related to climate protection are also at the top of our agenda, as our road map to climate neutrality in 2050 shows. But we also continue to focus on other environmental goals, such as carefully utilizing water resources, further optimizing circular economy, strengthening environmental protection through waste avoidance, especially in the area of packaging, and finally protecting and promoting biodiversity - with flower strips, for example. These are all elements of our sustainability strategy, which we are systematically enhancing.

Nutrition policy and the various manifestations of consumers' increasing nutritional awareness - from healthy to locally sourced to vegan - also influence our activities in the food sector. Here we aim to further develop our product portfolio to meet the demands of end users – and especially our industrial customers.

Implementing our 2026 PLUS corporate strategy in all of the company's business units and divisions will play a major role. Our employees' creativity and passion are a key component of implementing our strategy. Last year our employees impressively demonstrated what they are capable of. Our job as managers is to further develop the general working conditions and create a suitable environment for our workforce.

Today, dear shareholders, we present you with annual financial statements that demonstrate your company's performance capability - albeit not yet the financial results that we had planned and that you had expected from us. However, after a turbulent year, we are confident that our Strategy 2026 PLUS puts us on the right track to further substantially improve the operating result for the current fiscal year 2021/22. Further details are provided in the outlook.

We would be only too pleased to be able to present the next steps to you at the annual general meeting and speak with you face to face. However, we once again have to forego this event and instead invite you to a virtual general meeting in order to protect everyone's health. We are also providing all relevant information in a timely and comprehensive manner on our website www.suedzucker.de – please have a look. We appreciate your support last fiscal year.

Stay with us and stay healthy!

Yours truly,
Südzucker AG
Executive board

DR. NIELS PÖRKSEN
CEO

DR. THOMAS KIRCHBERG

THOMAS KÖLBL

JOHANN MARIHART

EXECUTIVE BOARD[1]

Dr. Niels Pörksen
Limburgerhof, Germany
Chairman / Chief Executive Officer (CEO)

Portfolios

- Sales
- Strategy
- Public relations
- Organization / IT
- Compliance/ Data protection
- Audit
- Quality management
- Group organization
- PortionPack Europe

Initial appointment: 1 March 2020

Term ends: 28 February 2023

Born in 1963. Study of Agricultural Sciences at the University of Kiel, Doctorate degree in 1991. 1992 to 2009 in different management positions at BASF SE. 2009 to 2013 executive board member (CAO) of Nordzucker AG. 2014 to 2020 at Nufarm AG, including as Head of Commercial Operations and Group Executive.

Dr. Thomas Kirchberg
Würzburg, Germany
Chief Operating Officer (COO)

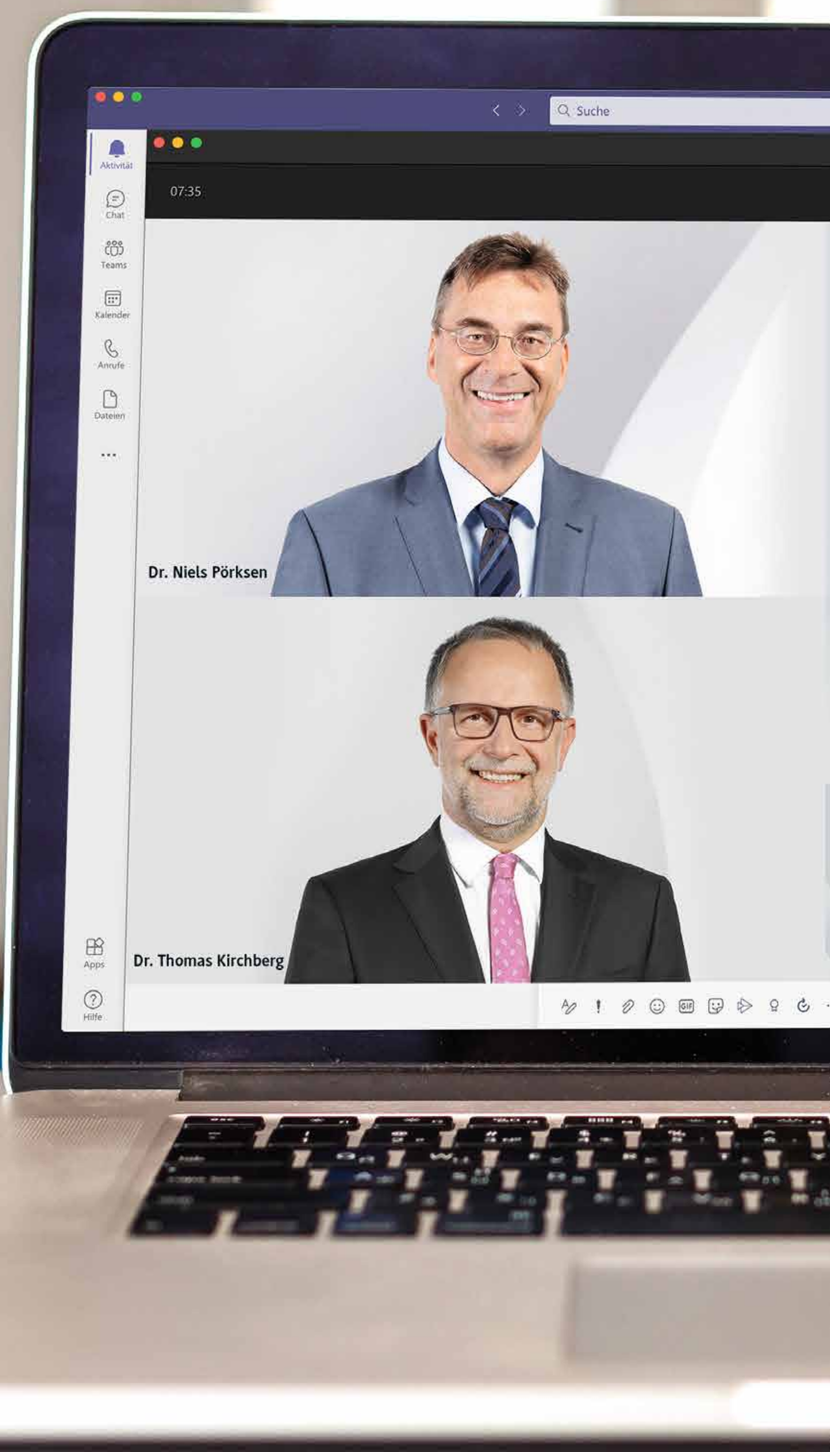
Portfolios

- Agricultural commodities
- Production
- Human resources
- Research & Development
- Sustainability
- Convenience Food / Functional Food
- Farming operations

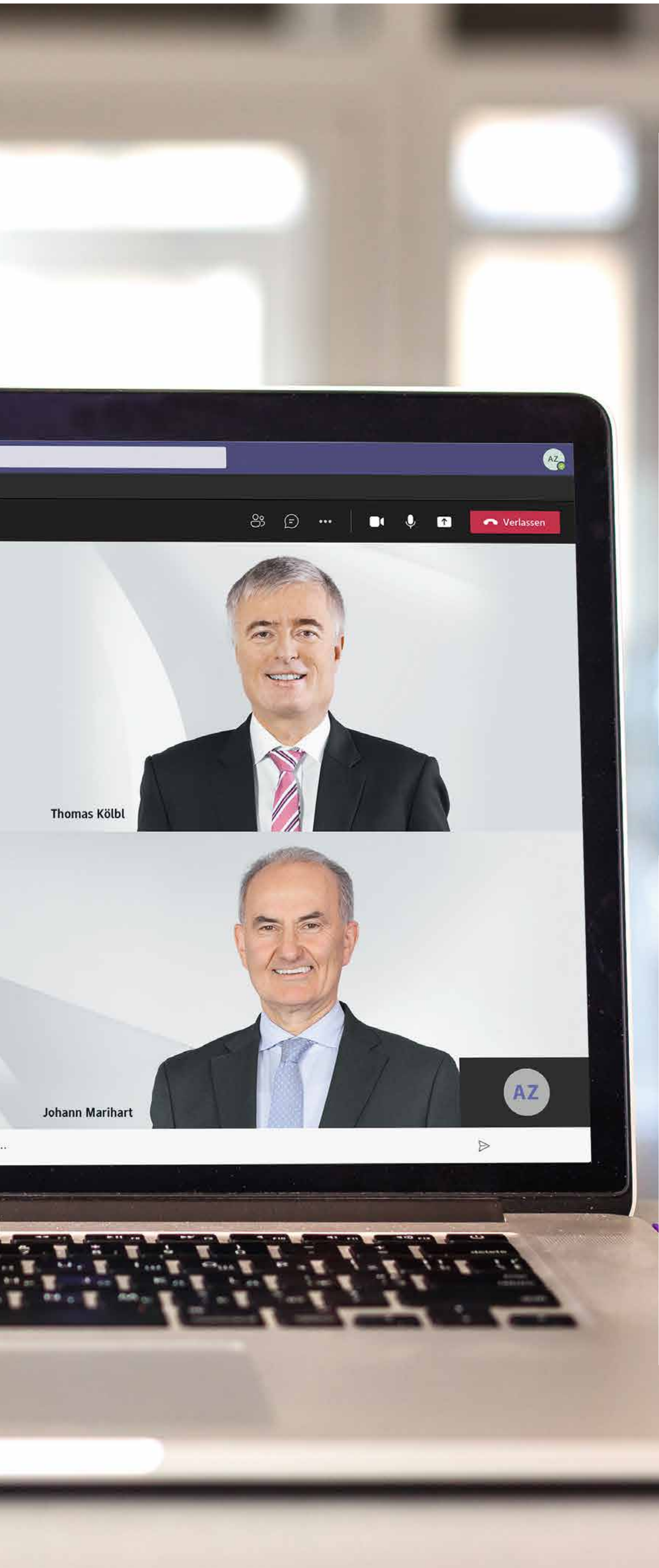
Initial appointment: 1 September 2007

Term ends: 31 August 2022

Born in 1960. Enrolled in agricultural studies in Göttingen, Germany. Joined Südzucker AG in Ochsenfurt, Germany in 1989. Appointed manager of the central region 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.



[1] Other board memberships are listed on page 191.



Thomas Kölbl

Speyer, Germany
Chief Financial Officer (CFO)

Portfolios

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

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.

Johann Marihart

Limberg, Austria

Portfolios

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

Initial appointment: 31 January 1994
Term ends: 31 Mai 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.

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.

Fred Adjan [2]
Hamburg, Germany

Deputy Trade Union Chairman 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

Ulrike Maiweg [2]
Bellheim, Germany

Stv. Betriebsratsvorsitzende Hauptverwaltung Mannheim Südzucker AG

Walter Manz
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

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 of Südzucker AG

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 Fränkischer 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 189.
[2] Employee representative.

REPORT OF THE SUPERVISORY BOARD

Dr. Hans-Jörg Gebhard
Chairman

Ladies and Gentleman,

The effects of the Corona pandemic have been shaping the way we all live and work for over a year now, as it has the supervisory board's fulfillment of its duties. We were also challenged with adapting to constantly changing regulations and conditions for meetings and working sessions, and providing the greatest possible protection against infection.

Face-to-face meetings and meetings requiring physical attendance were either not possible or only possible with severe restrictions. Thanks to virtual meetings, conference calls or a combination of the two, the supervisory and executive boards were able to continue to communicate.

It is evidence of the company's clear commitment – which we all share – to protecting the health of its employees. The company immediately introduced appropriate protective measures and thus virtually prevented internal spreading of the virus.

All of these current challenges were successfully met. As to the challenges of the future, the company will tackle these with the new Group Strategy 2026 PLUS, which together with the divisions' strategies, the executive and supervisory boards have discussed in detail.

The supervisory board continued to work on the basis of mutual trust and in the spirit of a results-oriented team with the executive board in fiscal 2020/21. In doing so, the supervisory board concentrated on the tasks for which it is responsible by law, the company's articles of association and the rules of procedure: to monitor and advise the executive board in the latter's management of the company.

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

The executive board updated the supervisory board at all ordinary meetings on the course of business as well as the company's situation. Between meeting dates, the supervisory board is regularly informed about current developments and all significant business transactions. The executive board reports were mainly updates about the company's situation and development, strategy, 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. Since the start of the Corona pandemic outbreak, the executive board regularly updated the supervisory board on developments, actions taken and the situation of the company.

Supervisory board meetings and decisions

The supervisory board met with the executive board at four ordinary meetings and two extraordinary meetings in fiscal 2020/21 except for the discussion of internal issues of the supervisory board. Because of the Corona pandemic, the only ordinary meeting took place on 15 July 2020, with all members in attendance. All other meetings were hybrid events – some of the supervisory members were physically present and others joined the meeting via electronic communication. In addition to the meetings, the supervisory board made one decision by written procedure. The supervisory board approved all of the executive board's decisions after a thorough review and discussions.

The meeting regarding the balance sheet on **13 May 2020** dealt mainly with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated 29 February 2020. The CFO presented the 2019/20 consolidated financial statements, outlined the individual financial statements and dealt with the dependent company report. The auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) then reported on the material findings and results of the audit, which included the accounting-system-related internal control systems. The board followed the executive board's proposal for the appropriation of retained earnings and approved the supervisory board report. The board made preparations for the 2020 virtual annual general meeting and adopted the agenda and proposed resolutions. Aside from that, the board presented its choice for the auditor to shareholders at the annual general meeting based on the recommendations of the audit committee. The board dealt with the regular agenda item of compliance. The supervisory board approved supplements to the investment plans of Südzucker AG, AGRANA, BENEO and Freiberger. In addition, a finance project was approved and personnel matters were discussed.

At its meeting on **15 July 2020** – the day before the ordinary annual general meeting – the CFO presented the mid-term plan. The supervisory board approved the investment plans for 2021/22, the long-term investment programs of Südzucker Group as well as investment amendments.

The supervisory board approved an AGRANA finance project by written procedure at its meeting on **16 September 2020**.

The interim status of the strategy project together with conceptual considerations were presented and discussed at the **12 November 2020** meeting. The CFO provided an update of the result projections for 2020/21. Corporate governance was discussed as always during the November meeting. In addition, the board conducted the annual self-assessment of its activities and adopted the 2020 declaration of compliance and the amendment of the standard rules of procedure for the supervisory board. In addition, the board approved a BENEO financing project and a CropEnergies investment supplement. Finally, internal supervisory board matters were dealt with as a separate agenda item.

During an extraordinary meeting on **25 January 2021**, the supervisory board held a "strategy day". The group strategy project 2026 PLUS presented by the executive board was intensively discussed and examined in detail.

At the **26 January 2021** meeting, the CFO presented the current results projection for 2020/21. The meeting focused on and intensively discussed conceptual considerations for the further development of the sugar and starch divisions. The supervisory board approved investment amendments and a financing project of Südzucker AG. In addition, personnel matters were discussed.

In an extraordinary meeting on **23 February 2021** – a continuation of the 25 January 2021 meeting – the group strategy was further discussed in detail. Information was also provided on the status of a new executive board compensation system and personnel matters discussed.

Supervisory board committees

The supervisory board to date set up five committees to enable its efficient fulfillment of duties (executive committee, mediation committee, audit committee, agricultural committee and economic and social committee), each of which is made up of an equal number of shareholders' and employees' representatives. By resolution of 12 November 2020, the supervisory board also established a nomination committee consisting of four shareholder representatives. The current members of the committees are presented in the notes under item 37 "Supervisory board and executive board".

The supervisory board **executive committee** convened five times in fiscal 2020/21: on 13 May 2020, on 15 July 2020, on 21 October 2020, on 26 January 2021 and on 23 February 2021. Among other things, corporate governance issues, the strategic alignment of the company and personnel matters were discussed in advance.

The **audit committee** convened four times during the year, in two telephone conferences, one in-person meeting and one hybrid meeting:

At its **7 May 2020** meeting and in the presence of the external auditors PwC, the audit committee discussed matters relating to the annual financial statements of Südzucker AG and the consolidated financial statements as of 29 February 2020. 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, the audit committee discussed the recommendation regarding the appointment of the auditors, checked their independence and finally submitted a recommendation to the supervisory board in favor of the appointment of PwC as auditor of the consolidated financial statements and as auditor of the non-financial statement (limited assurance) for the financial year. The audit committee had previously evaluated the quality of the financial statements audit. At its May meeting, the supervisory board also dealt with the topic of compliance.

At the meeting on **7 July 2020**, the audit committee discussed with the executive board the quarterly statement Q1 of the 2020/21 financial year. It dealt with the auditor's quotation for the audit assignment and awarded the audit assignment for the annual audit of the financial statements and the audit of the non-financial declaration (Limited Assurance) to PwC – subject to its election as auditor by the annual general meeting.

In the **6 October 2020** 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 2020/21 half-year financial report.

In the telephone conference on **12 January 2021**, the audit committee discussed the Q3 2020/21 quarterly statement with the executive board.

All members attended at the audit committee meetings and telephone conferences.

The **agricultural committee** convened on **12 November 2020**. Südzucker AG's agricultural division presented its report and information was provided and discussed on development projects for weed control with autonomous systems and on the Modern Agriculture Forum.

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

The **mediation committee** had no reason to convene in fiscal year 2020/21. Neither did the **social committee** meet.

Attendance

Mr. Fred Adjan did not attend the supervisory board meeting on 12 November 2020, but participated in the resolutions via a written vote. Ms. Susanne Kunschert was absent from the extraordinary supervisory board meeting of 25 January 2021. Dr. Hans-Jörg Gebhard did not participate in the executive committee meeting held on 21 October 2020. Otherwise, all supervisory board and / or committee members physically or virtually attended the meetings. Nonparticipation was excused in each case.

Supervisory board self-assessment

In accordance with recommendation D.13 of the German Corporate Governance Code, the supervisory board again assessed how effectively it works overall and how its committees fulfill their duties. This is done annually using a questionnaire, without external assistance. Each year, the questionnaire is revised according to the text of the current code. The questionnaire was assessed in the meeting on 12 November 2020, 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 12 January 2021, 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 2020 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 received a detailed update from the executive board.

Conflicts of interest
The supervisory board was not advised in fiscal 2020/21 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 ordinary annual general meeting on 16 July 2020 at the recommendation of the supervisory board. PwC has reviewed the financial statements and management report of Südzucker AG for fiscal 2020/21, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2020/21 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. Christina Pöpperl has been the responsible auditor at PwC for Südzucker AG since fiscal 2020/21.

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

The documents to be audited and the PwC audit reports were sent to each supervisory board member in a timely manner. Representatives of the auditors PwC participated virtually in the audit committee's 6 May 2021 meeting and in the supervisory board's financial review meeting of 19 May 2021 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 19 May 2021, 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 24 March 2021 regarding the distribution of a dividend in the amount of € 0.20 per share.

Personnel

Mr. Thomas Bernhard, works council secretary of Gewerkschaft Nahrung-Genuss-Gaststätten (NGG), resigned on the labor side from the **supervisory board**. He stepped down from the supervisory board as of 31 August 2020. On 1 September 2020, the Mannheim registration court appointed Mr. Fred Adjan, deputy chairman of the NGG, as his successor.

Mr. Adjan was also elected by the supervisory board to succeed Mr. Bernhard on the social committee.

The supervisory board wishes to express its sincere thanks to Mr. Bernhard for his dedicated service to the company.

Dr. Niels Pörksen was appointed as Chief Executive Officer (CEO) in the **executive board** with effect from 1 March 2020. Ms. Ingrid-Helen Arnold was appointed as an additional member of the executive Board (Chief Digital Officer, CDO) with effect from 1 May 2021. As successor to Mr. Johann Marihart, whose appointment was extended until 31 May 2021, Mr. Markus Mühleisen was appointed with effect from 1 June 2021 as a further member of the executive Board.

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, 19 May 2021
On behalf of the supervisory board

DR. HANS-JÖRG GEBHARD
CHAIRMAN

SÜDZUCKER SHARES AND CAPITAL MARKET

Capital market environment

Developments on the stock exchanges during fiscal 2020/21 were shaped by the Corona pandemic. Despite considerable real economy problems and increased volatility, stock markets set new records. The Dow Jones and NASDAQ as well as the DAX®, MDAX® and SDAX® saw new record highs in February 2021.

Due to significant regional differences in lockdowns and the corresponding differences in the affected industrial sectors, corporate profit and profit forecast developments were quite mixed globally. As a result of this exceptional situation, numerous companies no longer felt able to issue any forecasts at all, and many forecasts already published were withdrawn until further notice. Continuing punitive tariffs and the ongoing trade conflict between the United States and China constituted further burdens. Although the climate debate seemingly moved temporarily into the background, implementation of measures previously adopted continued to structurally alter many sectors.

The fact that the DAX® rose significantly in spite of all this was due primarily to continued massive available liquidity as central banks maintained and extended their low interest policies. The American elections and inauguration of a new president in January 2021 also had a positive impact on markets. After the U.S. Federal Reserve reversed its monetary policy in 2019 with three key interest rate cuts, this was followed by a reduction to just 0.00 to 0.25 % in March 2020 ahead of the looming pandemic-related economic crisis. The European Central Bank cut the deposit rate by ten basis points to –0.5 % on 12 September 2019 and confirmed this rate throughout calendar 2020.

Bond market volatility also increased. The yield on ten-year government bonds, which had already become negative in 2019, remained at a similarly low level of 0.25 % in 2020 as of the end of February 2021. The difference in yield between ten-year government bonds and the dividend yield of the DAX® is obvious.

Following the aforementioned all-time highs in February 2021, the DAX®, MDAX® and SDAX® ended February 2021 at 13,786 and 31,271 and 15,110 points respectively.

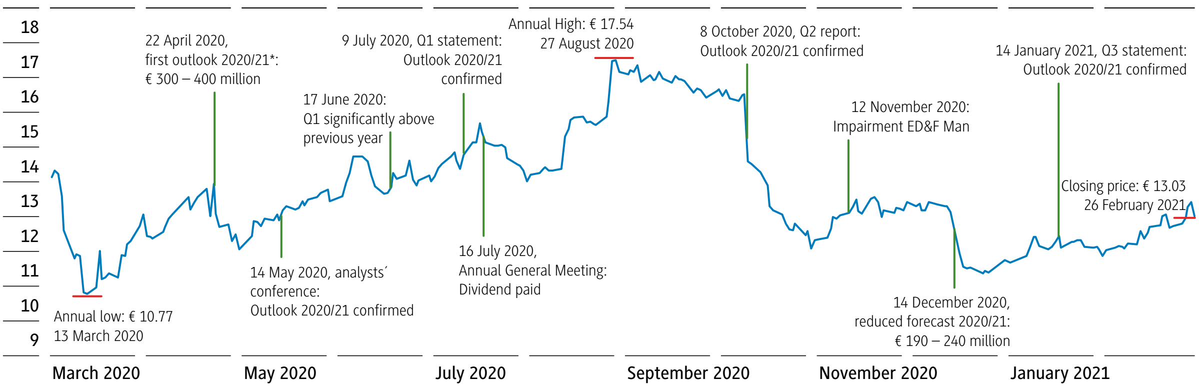
Südzucker's share price performance

Südzucker's share price performance continued to be strongly influenced by developments on the ethanol and sugar markets in fiscal 2020/21, even and especially in times of the Corona pandemic.

Starting from the opening price of € 14.14 on 2 March 2020, the share price trended much higher until the end of August – in contrast to poor overall market development – and reached an annual high of € 17.54 on 27 August 2020. The downturn in the ethanol and sugar markets combined with renewed Europe-wide lockdowns caused forecast adjustments and subsequently led to a significant price correction over the further course of the year. The market also took into account the fact that Südzucker was affected by the lockdowns for a significantly longer period than companies that report on a calendar year basis because its fiscal year is not aligned with the calendar year. Südzucker shares therefore closed the fiscal year at € 13.03, only moderately under last year's level despite the Corona pandemic.

Südzucker's share price performance

1 March 2020 to 28 February 2021
Share price in €



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

DIAGRAM 001

Südzucker share data

		2020/21	2019/20
Market capitalization[1]	€ million	2,661	2,873
Freefloat – market capitalization[1]	€ million	790	903
Number of shares issued at € 1[1]	million shares	204.2	204.2
Xetra® closing price[1]	€	13.03	14.07
High for the year (Xetra®)	€	17.54	16.95
Low for the year (Xetra®)	€	10.77	11.24
Average trading volume / day[2]	thousand of shares	737	683
Cumulative trading turnover	€ million	2,457	2,420
Closing rate SDAX®[1]	points	15,110	11,331
Performance Südzucker share (1 March to 28/29 February)[3]	%	−6.2	11.1
Performance SDAX® (1 March to 28/29 February)	%	33.4	4.9
Dividend[4]	€/share	0.20	0.20
Dividend yield	%	1.5	1.4
Earnings per share	€	−0.52	−0.60

[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] 2020/21: Proposal.

TABLE 004

Shareholder structure stable

Südzucker AG continued to have two major long-term shareholders. As of 28 February 2021, SZVG held 60.0 % 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, 29.7 %, 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 2016 to 28 February 2021
Index in %

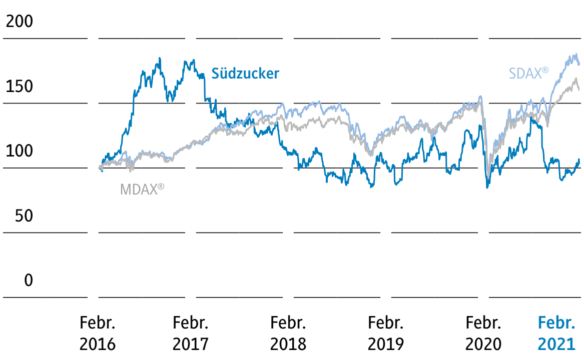


DIAGRAM 002

Rating

Südzucker's clear strategic aim is to maintain and confirm its investment grade rating. The company's conservative financial policies focus on strengthening the balance sheet and earnings indicators.

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 27 January 2021, Moody's confirmed the company's corporate and bond rating of Baa3 and confirmed the negative outlook. Moody's left the subordinated hybrid bond equity credit unchanged at 75 %.

S&P confirmed its long-term corporate rating of BBB- on 9 September 2020 and maintained the negative outlook. The subordinated hybrid bond was recognized at 50 % equity.

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

Communications with the capital markets

Communication with investors, analysts and other market participants was switched to virtual formats given the Corona pandemic. The executive board and Investor Relations presented and explained the group's performance in numerous online road shows and conferences. Südzucker publishes all 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

Consolidated management report

ABOUT THE GROUP

SUGAR SEGMENT

4 Divisions

- Business unit sugar
  Belgium: 2 sugar factories
  Germany: 7 sugar factories
  France: 2 sugar factories
  Poland: 4 sugar factories
- Moldau: 1 sugar factory
- 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

- Agrana Studen, Bosnia-Herzegovina
  (1 refinery, 50 % joint venture)
- Beta Pura GmbH, Austria
  (50 % Joint venture)
- ED&F MAN, Great Britain
  (35 % share)

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
- 11 production locations

- Starch for food and non-food sectors as well as ethanol
- 3 production locations
- Maize starch-, isoglucose- and Ethanol plant Hungrana Kft. (50 % joint venture)
- 1 production location (wheat starch plant) in Zeitz

- Portion packs
- 7 production locations

CROPENERGIES SEGMENT

- One of the leading European manufacturers of sustainably produced ethanol, 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
- 26 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

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 140 (152) other entities, of which Südzucker AG is directly or indirectly the majority shareholder. A total of 16 (16) 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 accordance with section 313 (2) HGB which is published together with the consolidated financial statements as of 28 February 2021 in the electronic Federal Gazette and separately on the company website.

Südzucker Group comprises four segments: sugar, special products, CropEnergies and fruit. The sugar, special products and fruit segments are further subdivided into ten divisions that manage the corresponding operational businesses. AGRANA Beteiligungs-AG, comprising the sugar, starch, fruit preparations and fruit juice concentrates divisions, is managed as an independent exchange-listed company; CropEnergies AG is also an independent exchange-listed company. In the sugar segment, the sugar division management is in charge of the sugar activities in Belgium, Germany, France and Poland and of their respective distribution activities.

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

Group management

Südzucker AG's executive board independently manages the businesses and is supervised and guided by the supervisory board. The executive board is bound to work in the corporation's interests and is responsible for increasing shareholder value. The executive board members jointly manage the sugar and special products segments, whereas specific executive board members are responsible for the CropEnergies and fruit segments. Nevertheless, the executive board members are jointly responsible for managing the entire company. 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 management focuses on sustainably 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 planning system together with centrally defined key figures. Key performance indicators at group and segment level are operating result and – only at group level – return on capital employed (ROCE).

When calculating operating result, the result from operations reported in the income statement is adjusted to reflect the results of restructuring and special items as well as companies consolidated at equity. Capital employed comprises the invested items of property, plant and equipment plus acquired goodwill and working capital as of the reporting date. Return on capital employed (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's clear strategy is to confirm its investment grade rating. Südzucker operates an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates, including hybrid equity capital, bonds, promissory notes and bank credits. The unique financing requirements during the fiscal year due to the seasonality of the sugar sector (financing beet purchases and inventories) means that securing short-term cash is an important aspect of our financing structure. These short-term financing needs are primarily secured through a commercial paper program in the amount of € 600 million. Südzucker Group has additional liquidity reserves from unused syndicated credit lines and other bilateral bank credit lines. These amounted to € 1.4 (1.2) billion as of the balance sheet date.

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

Südzucker's business model involves the use of plants to produce and market high-quality foods, food ingredients, animal feed, ethanol and other products, such as neutral alcohol.

The plant-based raw materials are procured and processed on a large scale using various technologies that are being further developed, particularly with regard to efficiency and sustainability.

Südzucker Group's product portfolio includes sugar and specialty sugar products, food ingredients, frozen and chilled pizzas, starch saccharification products, portion-pack articles, ethanol, animal feed, as well as fruit preparations and fruit juice concentrates.

The business activities to manufacture and market these products and the related services are allocated to four segments (→ group structure).

We reliably serve the food, animal feed and petroleum industries as well as consumer markets such as retail and the food service market with our products in a customer-focused approach. In the industrial markets, requirements such as quantity, availability and price are decisive, while in the consumer markets taste, innovation and convenience are key factors.

Südzucker operates worldwide with its BENEO, Freiberger, PortionPack, starch, fruit preparations and the fruit juice concentrates divisions. The sugar and CropEnergies segment's business activities are mainly focused on Europe.

Our raw materials and the markets we serve are globally intertwined and subject to price fluctuations. Südzucker's diversified product portfolio and the various regional markets ensure a balance of risks.

Our business model is based on sustainable operations. We conserve resources when producing our products by using low-emission and energy-efficient technologies 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 and safe food.

Our employees contribute diverse experience, skills, knowledge, personalities and cultures to Südzucker and thus make our company successful.

Group strategy

Market situation

Current social developments and far-reaching changes in some of our markets are presenting us with new challenges. Present and emerging health trends combined with deliberations regarding sugar consumption in Europe, rising demand for sustainable, plant-based products, the desire for new technologies and CO_2 reduction and growing demand for food across the globe are changing the needs of our customers. Going forward, Südzucker Group sees these trends as an opportunity to even better meet those needs and those of society as a whole.

Group Strategy 2026 PLUS

We therefore presented our vision for the future, **Group Strategy 2026 PLUS**, which builds on our strengths as a diversified group of companies and our employees' expertise and experience. With this program, Südzucker Group has set some ambitious goals and launched a progressive transformation process. Our strategy's time horizon emphasizes a forward-looking, long-term approach to thinking and acting.

Guiding principle

Our new guiding principle forms the basis of our strategy and defines the framework for Südzucker Group's further development: We will be more innovative, more customer-focused, more sustainable and even more consistently geared toward profitable growth.

Get the Power of Plants

GROUP STRATEGY 2026 PLUS

PURPOSE
OF OUR COMPANY

Our Purpose is to contribute to an enjoyable, healthy, and sustainable world based on the power of plants.

The potential of plants as a renewable resource, when treated with care, is close to inexhaustible. The starting point for our company was the sugar beet, but thanks to the expertise built up over many decades of close cooperation with our agricultural partners, we are able to continuously expand our portfolio through research on the utilization of other plant crops. Plants offer solutions for many avenues of daily life; in our food, energy, packaging, cosmetics and much more. The positive impact on our society is an important source of inspiration and motivates us to drive developments forward and thereby contribute to a livable, healthy and sustainable world.

OUR MISSION

Our Mission is to develop, to process and to deliver value from plants for nutrition, energy & beyond – being the partner of choice for farmers, customers and consumers.

Our mandate is to produce valuable solutions using plants as our raw material. In partnership with our customers, we consistently search for applications that add the highest value for the most diverse markets and consumers. Our innovation strength and wide-ranging expertise, together with sophisticated technologies, enables us to process plant-based raw materials and develop nutritious products (for example, sugar, sugar substitutes, fruit juices or frozen products), energy (for example, fuel components) and more (for example, animal feed and pet food, chemicals, cosmetics, packaging).

Südzucker sets the highest standards for itself – in coaching our raw material suppliers, as well as in development, production, processing and quality so that we can be the partner of choice for our customers, and for farmers and consumers.

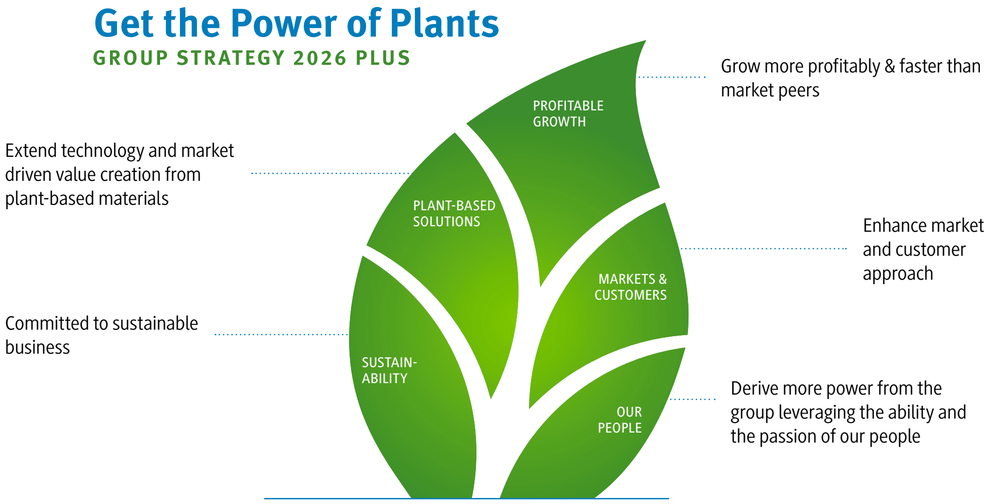
VISION
OUR FUTURE

Our Vision is to become the leading integrated group for plant-based solutions – locally, regionally & globally.

Our strategy establishes ambitious targets for the company and creates the conditions to achieve them. We will leverage the power of our Südzucker Group even more: We are building a network of employees, business partners and customers across all of our business segments in order to expand the markets for our plant-based products and concepts, as well as services. These markets offer growth potential – on our doorstep, in larger regional entities and also globally.

Five key strategic directions of Group Strategy 2026 PLUS

The five strategic directions developed within the framework of our strategy and strategic goals demonstrate how we intend to go about achieving our vision of being a leading integrated group for the development, production and provision of plant-based solutions.



Our employees:
Our employees are the cornerstones of our company. Their passion and diverse skills shape our corporate success. We will provide a framework of conditions that promotes stronger networking and closer conversations among our employees, throughout the group and across the divisions. In doing so, we bundle their diverse capabilities and identify potential opportunities at an early stage. Seizing these and executing the action plans helps us achieve our goals.

Sustainability:
We are committed to being socially responsible toward our employees, suppliers, customers and business partners. We consistently ensure that our activities along the entire value chain are sustainable – from cultivation to development and production, right through to the end product. This includes environmentally conscientious use of natural resources, efficiently utilizing our raw materials, reducing our emissions and taking into consideration the interests of all key Südzucker stakeholders.

Markets and customers:
We are shifting our focus to our customers and their needs. Understanding our markets and customers enables us to seize upon market trends at an early stage, which allows us to offer suitable solutions or develop them together with our customers. This strategy builds on the networked knowledge of our diversified group (group strength). We continuously and purposefully enhance our focused product portfolio in order to consolidate and expand our customer base. But we also penetrate new markets and acquire new customers.

Plant-based solutions:
Our business model is based upon converting agricultural raw materials into high-quality products. Starting from this core concept, we have already successfully expanded and diversified our product portfolio. We intend to systematically stay the course and tap our group's expertise and the innovative strength of our employees to develop new products, concepts and services and successfully market them. We will therefore align our innovation processes with the market and systematically exploit synergies from our diversified product portfolio.

Profitable growth:
We aim to grow profitably. We will pave the way to achieving this aim by consistently implementing the goals described in our action areas, in conjunction with aligning our corporate organization based on two key success factors: adaptability and competitive cost structures. Our focus is on increasing efficiency and revenues as well as establishing innovative products and business areas.

Divisions' strategies

The strategies for our divisions were based on the objectives of the five key strategic directions of the group. The focus in all divisions is on competitive cost structures for profitable growth. To supplement internal growth, the group is also constantly on the lookout for acquisition opportunities in the various divisions. The requirements and trends in the respective markets are also taken into account.

Sugar segment

While the global demand for sugar continues to grow, the trend to consume more sugar is generally not apparent in the more mature markets of Western Europe. At the same time, there is increasing demand for organic sugar, clean label and regional products. In the EU, there are signs of increasing predatory pricing, which is significantly influenced by differing national production conditions and regulations.

- Adapt product portfolio to markets; develop new applications for sugar beets and sugar in the non-food sector.
- Optimize customer portfolio; expand customer service.
- Focus on European markets; exploit export opportunities.

Special products segment

BENEO

Plant-based nutrition, clean label food, foods with added benefits and balanced and health-conscious nutrition are all trends that positively impact BENEO's business development.

- Innovative concepts to expand existing product portfolio.
- Expand cooperation with customers to jointly address trends faster.
- Strengthen regional market strategies in the Asia-Pacific and North and South American regions.

Freiberger

The Freiberger division's target markets benefit from the continuous trend towards convenience food, single portions, organic products, vegetarian products and ready-to-go foods.

- Actively and flexibly orient product portfolio to trends; use new marketing concepts.
- Maintain and develop customer relationships by focusing on quality, innovations and sustainability.
- Strengthen market position in Europe; grow in North America through cost leadership and diversification.

Starch

The starch business benefits from market developments in the food and non-food sectors. Overall, there is rising demand for starch-based products and generally for foods containing plant protein and organic products in the animal feed, paper, textiles, construction chemicals, pharmaceuticals and cosmetics sectors. There is growing demand in the packaging industry for native and modified starches.

- Further develop and expand specialization strategy for the product portfolio.
- Strengthen customer relationships by offering innovative products and application consultation.
- Expand market position in Europe; grow selectively outside Europe.

PortionPack Europe

The PortionPack Europe division benefits from the growing importance of the out-of-home consumption market and the increased trend towards hygienically packaged products.

- Continuously expand product portfolio with focus on sustainable packaging and retail solutions.
- Continue to grow in wholesale and food service, expand sales activities in retail, offer packaging solutions for food manufacturers (contract packaging).
- Expand market position in Europe; expand activities in South Africa.

CropEnergies

Climate change and greenhouse gas reduction goals demonstrate the importance of CropEnergies' contribution toward offering alternative solutions in this environment. The European Green Deal will require more sustainable, bio-based solutions. Fuels with higher ethanol blends (E10 to E85) continue to offer high revenue potential. At the same time, growth opportunities arise from the broadening of the raw material base and the increasing demand for protein food and feed products. The dynamic growth in demand for sustainable products such as bio-based chemicals, may give rise to new business opportunities for CropEnergies.

- Expand activities in ethanol, neutral alcohol and protein-rich food and animal feed; develop new businesses using the group's R&D expertise.
- Strengthen partnership with customers through satisfaction and open communication; jointly develop new areas of cooperation.
- Use European and regional raw materials and supply chains in Europe, the business focus.

Fruit segment

Fruit preparations

AGRANA Fruit benefits from the growing global demand for high-quality food and the trends towards convenience food, naturalness, sustainability and health. While the market for fruit yogurt is stagnating in Europe and North America, there are growth opportunities in sectors such as ice cream, bakery and food service. In addition, there are attractive regional growth opportunities, particularly in Asia, the Middle East, and Africa.

- Further develop product categories; strengthen diversification and marketing of innovative plant-based product solutions.
- Develop custom product solutions for customers; target expansion in the out-of-home consumption and ice cream segments.
- Expand global presence by entering geographically attractive markets.

Fruit juice concentrates

Growth opportunities for the fruit juice concentrates sector are arising from the increasing demand for natural – as opposed to synthetically produced – ingredients in the EU and around the world. Juice consumption will continue to increase in developing markets. Declining fruit juice content and rising demand for direct-pressed juices are European consumer trends that will have a weakening impact.

- Expand product portfolio.
- Strengthen customer relationships with global key accounts in the beverage segment; restructure sales organization.
- Consolidate local and regional customer bases.

Sustainability

Sustainability strategy

Given the "Committed to sustainable business" strategic direction anchored in the 2026 PLUS group strategy, the company embarked on a strategy process for sustainability that is scheduled for completion by mid-2021.

This process aims to create concrete objectives for the individual group strategy action items, which are intended to serve as the basis for further work on sustainability – both at the group level as well as within the various divisions. Key objectives include integrating sustainability criteria into decision-making processes, contributing to the United Nations Sustainable Development Goals (SDGs) by setting quantitative targets in selected divisions and continuously improving on sustainability ratings.

The next step will be to utilize these objectives to outline concrete actions and initiatives, which will then be integrated into Südzucker's sustainability road map. Our first priorities were to firm up our climate strategy and to develop programs to promote diversity within the group. We stepped up our internal communications under the heading "Mission sustainability" in order to involve all employees in these processes.

We are also focusing on preparing for the new sustainability related disclosure requirements set out in the EU Taxonomy Regulation. The key question here is: How do our business activities support the two environmental goals of climate change mitigation and adaptation to climate change? In connection with this, we also want to examine the potential impact of climate change on our business activities (→ Environment).

In fiscal 2021/22, we will further flesh out our sustainability roadmap and continue to develop and act on the sustainability measures set out therein.

Sustainability management organization

In order to manage the proper execution of the sustainability initiatives throughout the group, we have established an organization focused on achieving objectives. Overall responsibility for sustainability rests with the Chief Operating Officer (COO), who, together with his colleagues, is charged with ensuring that sustainability and climate related issues are appropriately considered in strategic corporate decision-making.

A corporate Sustainability Manager staff position has been created to address the growing importance of sustainability. The position reports directly to the responsible executive board member and is charged with managing the group's sustainability-related activities, in particular in regard to further developing and implementing the sustainability strategy in cooperation with the divisions and departments, as well as for coordinating sustainability communications.

The newly established Sustainability Team plays a key role in managing sustainability. Its members include the Sustainability Manager, representatives from all Südzucker Group divisions and from the research and development department. Team members from the divisions represent various disciplines in order to cover the wide range of relevant topics. They are designated the primary contact for sustainability matters in their respective divisions.

The sustainability team is responsible for creating, developing and implementing concepts for improved sustainability management at Südzucker Group, as well as offering consultation and coordination. The team meets on a monthly and ad hoc basis.

Sustainability management organization

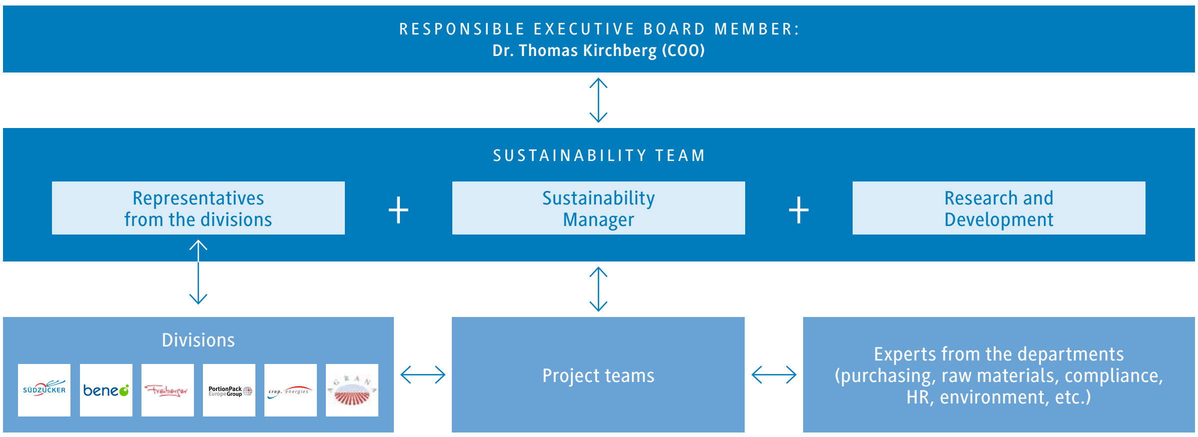


DIAGRAM 004

It updates the responsible executive board member on the status of activities and keeps internal stakeholders informed of developments using the Südzucker intranet, virtual forums and the employee newsletter along with other forms of communication.

There are also project teams comprising members of the sustainability team and relevant technical experts, which work on specific topics relating to the activities initiated as part of the further development of the sustainability strategy. Their objective is to develop concepts that can be used throughout the group.

All employees have opportunities to engage in the company's sustainability management by way of the corporate employee suggestion program and other channels, or signing up to participate in the project teams.

Materiality analysis

For the materiality analysis, the external stakeholders' assessments are combined with Südzucker's assessments. The internal relevance assessment includes consideration of the economic, environmental and social impact of Südzucker Group's business activities.

As in previous years, Südzucker conducted in fiscal 2020/21 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). This year, we conducted a comprehensive survey to involve employees in the materiality process.

Among other things, we asked employees to state their opinion on the status quo of Südzucker Group with respect to sustainability management and communications, which aspects of sustainability they considered most relevant and where they believe our company needs to take further action. Employees were also given the opportunity to make specific recommendations regarding next steps and action items. Almost 1,350 Südzucker Group employees took part in the survey. Overall, the exercise confirmed that there is considerable interest in sustainability at Südzucker Group and a large majority of the workforce supports with further developing policies in this regard.

The results of the survey were incorporated into the existing materiality analysis and two new aspects were included in comparison to last year: sustainability communications and packaging.

The topics recorded in the materiality matrix cover the topics defined as material under the German Commercial Code. The relevance of all categories within the materiality matrix is considered high or very high; we therefore chose not to further prioritize any items. The individual topics are assigned to the corresponding sustainability aspects. Reporting, the respective guidelines and management approaches are integrated

Evaluation of the relevance of sustainability issues for Südzucker

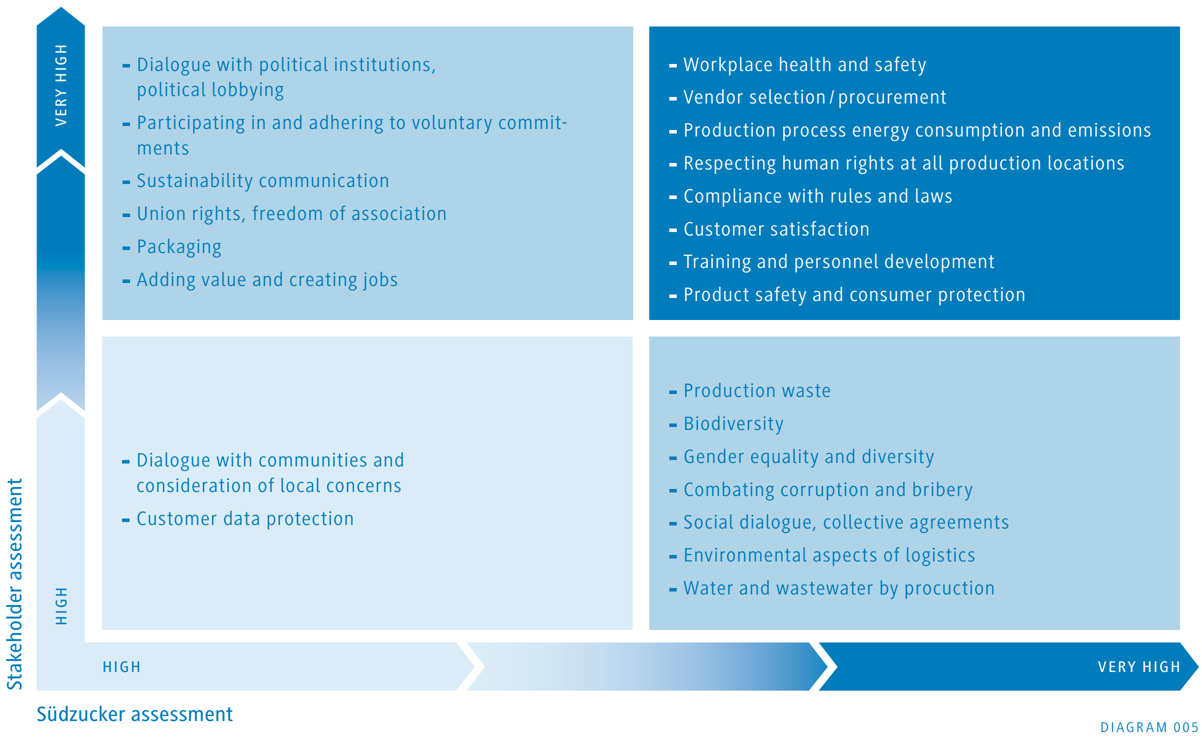


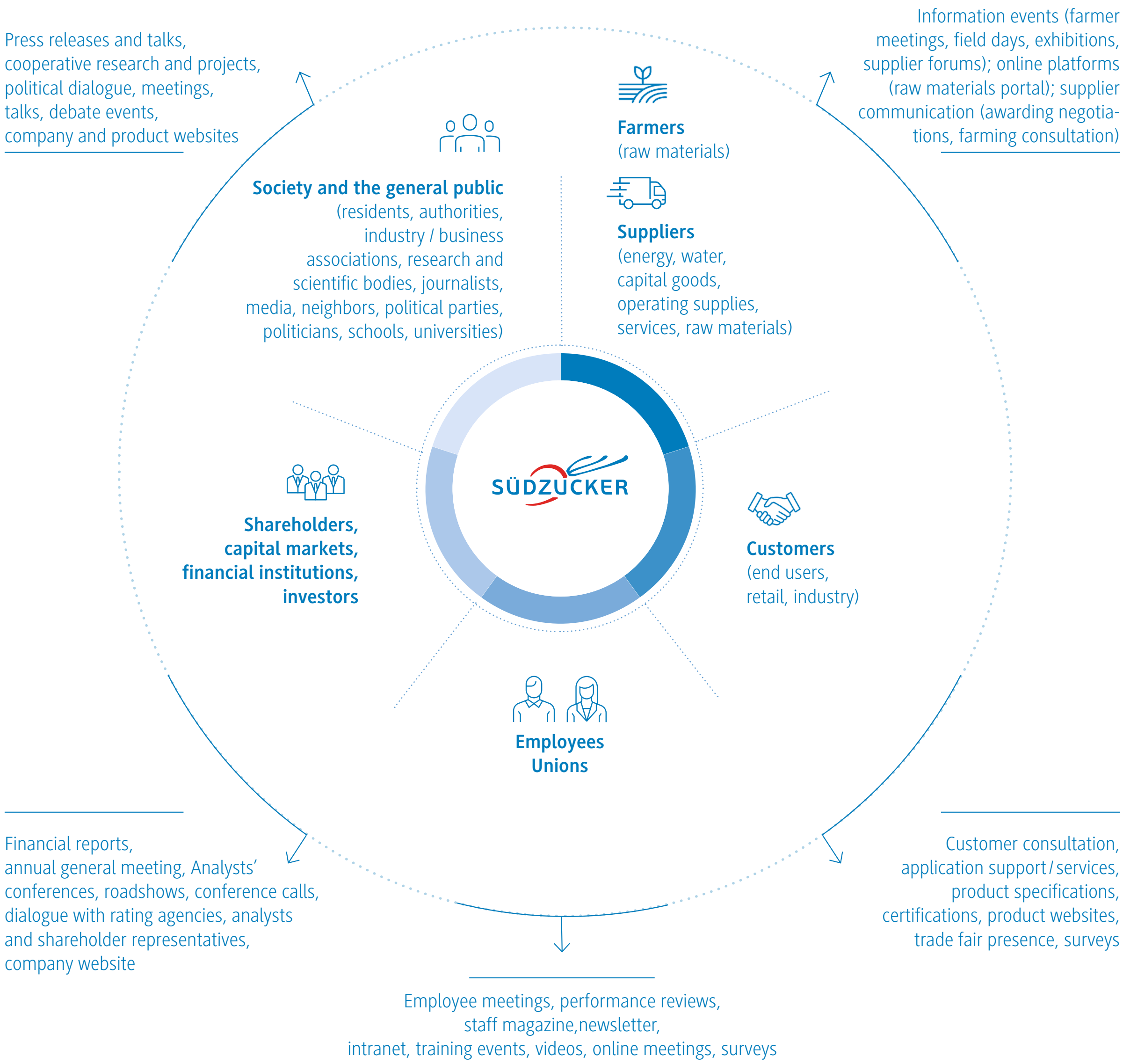
DIAGRAM 005

into the management report. (→ table 007). A detailed summary is provided in the non-financial declaration chapter.

Stakeholders

Diagram 006 displays the stakeholder groups and communications methods we consider relevant or important. The stakeholder groups surveyed are the same as in previous years. Due to the coronavirus, we were unable to communicate personally with stakeholders as we have in the past, so we adapted our communications to suit the current conditions. For example, the new formats include a virtual annual general meeting and countless other online meetings. We were unable to host some events, such as factory tours. We considerably expanded communications with our employees by way of video messages, surveys and online meetings. Further information on stakeholder groups and communications methods can be found in the respective sections of this report (→ shares, environment, employees, society, research and development).

Stakeholder groups and communications methods[1]



[1] The dialogue formats were adapted; events, discussions and meetings generally took place online.

DIAGRAM 006

Summary of aspects subject to mandatory reporting

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

TABLE 007

Key sustainability-oriented initiatives and organizations

Südzucker Group is a member of the following key sustainability-oriented initiatives and organizations (→ table 008).

Sustainability rating

In addition to financial ratings, sustainability ratings are becoming increasingly important for capital market participants. Südzucker maintains regular dialog with selected rating agencies.

Südzucker Group has participated in the EcoVadis sustainability evaluation system since 2013. EcoVadis is an initiative that evaluates companies with respect to their acceptance of social responsibility. Südzucker regularly provides EcoVadis with extensive information regarding various aspects related to the environment, working conditions, compliance and procurement. Following the latest evaluation, Südzucker was awarded bronze status. The results of the evaluation are increasingly important for the purchasing decisions of many food sector customers.

Key sustainability-oriented initiatives and organizations

Organization	Registered Office	Member	Since	Objective
CDP (Carbon Disclosure Project)	London / UK	Südzucker AG	2020	Improve transparency on GHG emissions, climate risks, and reduction strategies of companies and municipalities
Charta der Vielfalt e. V.	Berlin / Germany	Südzucker AG	2008	Promotion of the recognition, appreciation and integration of diversity into Germany's business culture
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 / UK	AGRANA Beteiligungs-AG[1]	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 008

Sustainable Development Goals (SDGs)

Südzucker endorses the Sustainable Development Goals of the United Nations, establishing a framework for sustainable economic, ecological and social management. Our focus is on those Sustainable Development Goals that are substantially influenced by our business model and where we can actually bring about change.

ENVIRONMENT

climate neutral production
by 2050

5.9 million GJ
renewable energy consumption per year

1,800
flower strips for greater biodiversity

We are committed to conducting business sustainably and aim to minimize any possible negative impact of our business activities on the environment. In addition, we are striving to become climate neutral by 2050.

Management policy

As outlined in the materiality analysis, Südzucker considers the following environmental topics to be very important: energy use and consumption, emissions, water and wastewater associated with production, production waste and biodiversity in the supply chain.

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 all plant designs, production processes and associated supply chains (including procurement)
- Ensuring that management establishes strategic and operational targets and programs
- 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.

Südzucker Group companies utilize the following certified management systems when executing their environmental management programs:

- Quality management as per ISO 9001: Raffinerie Tirlemontoise S.A., Saint Louis Sucre S.A.S, Südzucker AG, Südzucker Polska S.A., CropEnergies and BENEO production locations
- ISO 50001 energy management system: German and Austrian production plants of Südzucker, AGRANA, BENEO, Freiberger and CropEnergies; sugar production plants in France, Poland, Slovakia, the Czech Republic and Hungary, the remaining fruit juice concentrates division locations in the EU and Freiberger's factory in the UK
- ESOS – Energy Savings Opportunity Scheme: CropEnergies Wilton/UK, Loon-Plage/France
- EN 16247-1 and -3: CropEnergies, Loon-Plage, France
- "Les accords de branche de seconde génération": Production locations of BENEO, CropEnergies and Raffinerie Tirlemontoise in Belgium

The leading management system is ISO 9001. Processes and responsibilities are defined, documented in the management system and their effectiveness regularly reviewed internally and externally at the Raffinerie Tirlemontoise, Saint Louis Sucre, Südzucker, Südzucker Polska, CropEnergies and BENEO production locations.

The environmental officers together with the respective plant managers regularly monitor compliance with legal requirements.

We benchmark our production processes in order to continuously reduce their negative impact on the environment. All of the plants set targets and identify mitigation projects.

Climate protection

Climate strategy to 2050

Südzucker Group is committed to the challenging goal of climate neutral production by 2050.

In fiscal 2020/21 we established the cornerstones of our climate strategy to 2050. Our approach is consistent with the target of the European Green Deal and aligns with national climate legislation requirements. The climate strategy is an integral part of our long-term business strategy.

We want to help shape the European path toward climate neutrality in 2050. For us this includes not only actions associated with climate neutral production, but also minimizing CO_2 emissions in our supply chains and producing climate friendly biomass-based products for the non-food sector.

To establish a baseline, we calculated our scope 1 and 2 greenhouse gas emissions for the year 1990[1] at 3.6 million tonnes of CO_2. The 2018 peak of 3.7 million tonnes of CO_2 is only slightly higher than the 1990 level, which means that to date, Südzucker Group's growth has been climate neutral. Any increase in emissions associated with establishing new businesses or expanding existing ones were offset by emissions reduction measures and initiatives to boost energy efficiency.

Our climate strategy contains clear targets: By 2030, we want to cut emissions by at least 30 % compared with 2018, and by 2050 we want our production processes to be climate neutral. Every Südzucker Group division will contribute.

Key to our path to climate neutrality are initiatives to improve energy efficiency; for example, replace existing equipment with higher efficiency gear and reduce CO_2 emissions associated with production. A vital part of this involves phasing out coal at the sites listed in table 009 before the target year of 2038 set for Germany. In addition, we are preparing a group-wide roadmap to procure electrical energy from renewable sources. Südzucker AG in Germany and AGRANA in Austria have already taken initial steps.

Südzucker Group scope 1 and 2 greenhouse gas emissions in percent from 1990 to 2050

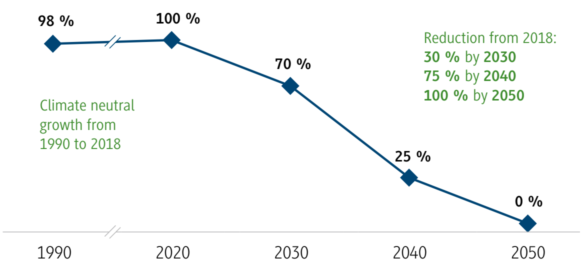


DIAGRAM 007

A comprehensive analysis was conducted on the individual segments' and divisions' production sites. It identified successive production plants in which pioneering technologies will be implemented to significantly reduce CO_2 emissions. In the medium term, this includes electrification, as well as using biogas, biomass and hydrogen. Thanks to its close ties to agriculture, Südzucker Group is well positioned here. Ultimately, selecting the climate neutrality path will depend on the policy framework in the respective country and the technical requirements at each site.

Our climate strategy to achieve climate neutrality includes the following action items:

Action areas	Action plans
Climate neutral production by 2050 (CO_2 emissions scope 1 and 2)	• Improve energy efficiency • Reduce CO_2 emissions scope 1 - Continuation of the coal phase-out at the Ochsenfurt, Opava, Sered, Tienen and Zeitz sites by no later than 2032 - Fuel substitution (natural gas instead of coal or heating oils). - Use renewable fuels (biogas, biomass, hydrogen) - (Partially) electrify process heat generation • Reduce CO_2 emissions scope 2 - Obtain electricity from renewable / non-fossil sources.
Supply chain optimization (CO_2 emissions scope 3)	• Reduce CO_2 emissions from agricultural raw material production. • Reduce CO_2 emissions from raw material and product transportation.
Produce biomass-based products for the non-food sector (replace fossil-based products)	• Produce bioenergy • Produce intermediate products for bio-based plastics and / or bio-based chemicals production. • Conduct research and development to further enhance technologies for producing bio-based products. • Produce bio-based chemicals.

A fundamental prerequisite for converting from fossil-based products to products from renewable sources is a suitable political and economic framework.

TABLE 009

[1] The emissions calculated for the year 1990 were not part of the business audit of the non-financial statement.

Energy use (direct and indirect) at Südzucker Group

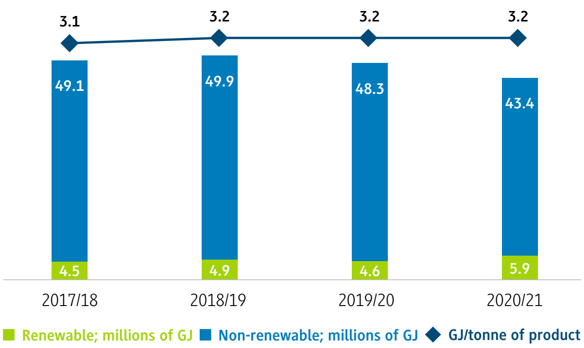


DIAGRAM 008

CO_2 emissions (scope 1 and 2) at Südzucker Group[1]

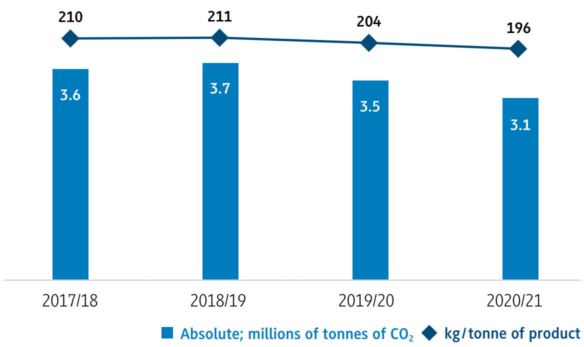


DIAGRAM 009

As we move forward, we will build on the experience gained from completed projects as well as projects in progress. For example, we will invest around € 50 million in an additional biomass power plant at the Wanze site in Belgium over the next few years, thereby creating the conditions for climate-neutral production. With the exception of the lime kiln, fossil fuels will no longer be required for production at the Pemuco site in Chile from as early as 2023. We operate biogas plants at various sugar segment sites.

Another component of our 2050 climate target initiative is to optimize our supply chains, especially raw material procurement and logistics (scope 3 emissions). Finally, we aim to expand our product portfolio to exploit the opportunities arising from the transition to a climate-neutral economy (→ table 009).

Energy use and emissions from our production plants (scope 1 and 2)

Since many of our manufacturing processes are very energy intensive, we have been focused on improving energy efficiency and thereby reducing greenhouse gas emissions for many years.

In fiscal 2020/21, Südzucker underlined its intent to further reduce emissions when it participated in the CDP (formerly Carbon Disclosure Project) for the first time.

We report energy use and emissions (scope 1 from direct energy use and/or direct emissions and scope 2 from indirect energy use and/or indirect emissions). These are parameters we can directly control. The emissions are calculated in accordance with the Greenhouse Gas Protocol Standard.

In fiscal 2020/21, energy use totaled 49.3 million GJ and absolute emissions 3.1 million tonnes of CO_2. This represents a reduction in energy use of 7 % and emissions of 13 %.

Specific emissions per tonnes of product (main and by-products) dropped in total by 4 %. In addition to the various measures to increase energy efficiency, the main reasons for the reduction in emissions were the discontinuation of sugar production at four locations.

Implemented and ongoing programs to boost energy efficiency and cut emissions:

- We operate biogas plants at the sugar factories in Strzelin, Poland, Kaposvár, Hungary and Drochia, Moldova, which generate renewable energy from biomass – primarily fresh or fermented beet pellets or beet pellet silage – and feed it into the public grid. In addition, many sites generate biogas in anaerobic wastewater treatment plants and use it to reduce the demand for fossil fuels.
- A biomass boiler at the Pemuco, Chile location generates steam and electricity mainly from forestry and wood processing waste.

[1] The value of the absolute emissions 2019/20 was adjusted due to subsequent notifications.

- A biomass power plant in Wanze, Belgium generates thermal and electrical process energy from the husks of the grain delivered to the ethanol plant.
- Combined heat and power (CHP) plants in the sugar segment to cut around 185,000 tonnes of CO_2 per annum.
- Use waste heat to operate low-temperature drying systems at seven locations.
- Waste heat is used to heat the wastewater treatment plant at the Offstein factory.
- Hydroelectric power is generated at the Offenau location.
- Replace existing equipment with highly energy-efficient gear.
- Coal was eliminated as a source of power with the closure of the Brottewitz, Eppeville and Warburg sugar factories at the end of the 2019/20 campaign.

Due to the variety of products we make, our manufacturing processes are very diverse and thus have different energy needs; however, overall, most require heat as a process input. Südzucker 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 inhouse cogeneration plants. Natural gas is the main fuel.

Supply chain emissions (scope 3)

Scope 3 emissions comprise all other indirect emissions generated by the production and transportation of the purchased raw materials and goods as well as the distribution and use of same. The most significant scope 3 emissions arise in the upstream supply chain – from planting to harvesting and transportation of our agricultural raw materials – as well as in the downstream supply chain – transportation of our products to our customers by freight forwarders. As expected, emissions from the use and disposal of these products (end-of-life emissions) do not play a role since they are biomass-based.

Scope 3 emissions are subordinated when compared to scope 1 and 2 emissions. Nevertheless, we have started to systematically measure scope 3 emissions. We record the lifecycle emissions as well as primary emissions from the products made by our sugar factories and ethanol plants using product carbon footprint analyses.

Logistics

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 31 million tonnes of raw materials processed by Südzucker Group are required for sugar and ethanol production – about 29 million tonnes of beets and grain in the past fiscal year.

In Belgium, Germany, France, Moldova, Poland, Romania, Slovakia and Czech Republic 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. In Austria and Hungary, the opportunity to deliver sugar beet to the factory by rail was used. Here, around 51 % was shipped by rail in the 2020/21 campaign.

The share of beets precleaned at the edge of the field is now about 94 % throughout the Group, while the share for chicory in Belgium is 98 %. The aim is to leave as much soil in the fields as possible. 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. Furthermore, assistance systems take into account the possible payload as well as the permissible gross vehicle weight and thus make optimum use of the loading capacity of each truck.

In Germany and France, the farmpilot logistics application enables a constant flow of information between the harvesters, the loaders, the trucks, the sugar beet clamp protection groups and the factory, in addition to navigation. This means that the entire logistics chain is interconnected, from the field to the factory. Routings are thus continuously adjusted, and unnecessary trips and waiting times are avoided.

The ethanol 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. In Wilton, Great Britain, about 70 % of the raw materials used arrive by ship, in Wanze, Belgium it is more than 51 %. The ethanol plant in Zeitz operates jointly with the sugar and starch factories and is connected to these via a pipeline. In addition, extensive investments were made this year to further improve the delivery of raw materials by rail.

The delivery of rice for BENEO in Wijgmaal, Belgium is increasingly made by inland waterway vessels. The BENEO plant in Offstein operates jointly with the sugar factory and gets liquid sugar via a pipeline. 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

When shipping the Südzucker Group's manufactured products, transport-related CO_2 emissions are reduced to the greatest extent possible by selecting suitable transportation carriers and optimizing routes.

Sugar is transported by an optimized combination of rail, ship and truck shipments based on a supply-chain planning tool that aims to minimize transportation costs. For long distances, especially for deliveries to deficit regions and campaign related relocations, sugar is transported by rail wherever possible and sensible. To facilitate this, the majority of our factories are served by a rail spur. Accordingly, as in the previous year, about 75 % of deliveries to Italy were made by rail. The share of road shipments to Romania was reduced from 80 to 30 % [1]; 40 % were now supplied by rail and 30 % by ship. Sugar is transported almost exclusively by truck in countries with their own production due to the relatively short distances.

To reduce transportation volume when shipping animal feed, we sell sugar beet pulp with higher dry solids content. 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.

About half of the molasses pulp pellets shipped were transported using climate-friendly barges and trains. The company thereby shifted a volume corresponding to about 8,000 truckloads from the streets to the inland waterways or the rails. Molasses shipments are increasingly sent by intermodal rail transport, which also contributed to reducing CO_2 emissions.

The Freiberger division's new automated deep-freeze high-bay warehouse at the Muggensturm location went into operation at the beginning of February 2021, which will avoid 386,000 kilometers of truck trips per year.

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

Greenhouse gas emitted when growing the input agricultural raw materials

We are an agricultural company and as such we have always striven to improve efficiencies and reduce greenhouse gas emissions associated with sugar beets and chicory cultivation. This includes actively advising and supporting our suppliers on ways to improve cultivation (→ sustainable land use and agriculture).

We systematically focus on raw materials with the lowest possible product carbon footprint when we buy for our ethanol production plants.

Produce biomass-based products for the non-food sector (replace fossil-based products)

Our Rackwitz biogas plant utilizes renewable raw materials to produce methane year-round, which is then fed into the public distribution network. The biogas plants at the Strzelin, Poland, Kaposvár, Hungary and Drochia, Moldova sugar factories feed part of the renewable energy they generate into the public grid.

CropEnergies and AGRANA produce ethanol from renewable raw materials, which replaces fuels and ethanol from fossil sources, respectively.

We want to expand our product portfolio in this area. To achieve this, we conduct comprehensive research to enhance biofuel production and develop biomass-based products – for example, from sugar, starch or carbon dioxide – which can be marketed as substitutes for fossil-based products (→ research and development).

[1] Reference period March 2020 – January 2021 compared to previous year.

Adapting to climate change

While climate protection as described above involves activities that are not tied to a specific location, in particular through the gradual reduction of greenhouse gas emissions, adaptation to climate change also has a spatial dimension. The question is, how can we meaningfully contribute to adapting to climate change directly in the regions. For example, this includes effective programs in the regions that are increasingly affected by floods or drought. Here Südzucker is not only concerned about the security of its production locations, but also being able to reliably supply the factories with agricultural raw materials. Activities that enable or promote adaptation (e.g., research and marketing or use of heat resistant varieties) are of key importance. The same applies to adapting to climate change induced mutations of pest infestations. Our research and development activities already contribute substantially to these efforts (→ research and development).

Starting next fiscal year, Südzucker will strengthen its efforts to understand the impact of climate change on Südzucker in the form of physical and transitory climate risks (outside-in perspective). This will be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The aim is to test a scenario analysis, select a temperature rise scenario (TCFD recommends a 2° scenario for instance) and carry it out for a segment or division. It is to be expanded to include other segments or divisions and different climate scenarios over the course of several years.

The objective is to improve awareness and better understand climate-related risks and opportunities within the group, even better manage risk and enable fact-based decision-making and strategic planning. Reporting as envisioned by TCFD is also to be further expanded in order to have even more constructive dialogue with stakeholders, especially investors, shareholders or lenders.

Sustainable use and protection of water resources

Water withdrawal and water use

Water, the most important global resource, is one of the many inputs to Südzucker Group's production processes. As a basic principle, we strive to reduce the necessary freshwater requirements at our production plants to a minimum by drawing process water from a closed circuit.

We are able to largely cover freshwater requirements at our sugar factories and fruit juice concentration production plants by using the water contained in the raw materials themselves: sugar beets consist of 75 % water and apples about 85 %.

Water withdrawal to cover the remaining freshwater requirements varies according to local water availability and is covered by surface water, groundwater and drinking water from the public supply.

At some locations we operate once through cooling systems that use surface water. More than fifty percent of the surface water extracted is used exclusively for this purpose. This water is only used for cooling processes and then fed directly back to the receiving streams.

Water drainage

Südzucker Group operates biological wastewater treatment plants at many of its production locations to treat production wastewater. These plants are both aerobic and anaerobic. The biogas produced by the latter is recycled in the form of energy. The treated water is routed to neighboring streams.

Excess process water is delivered to third parties for irrigation and/or fertilization purposes at a number of sites.

The remaining wastewater volume flows into municipal or third-party wastewater treatment plants. Sewage treatment plants are used to ensure environmentally friendly wastewater management.

The responsible approval authorities specify the parameters of the wastewater discharged or delivered to third parties for irrigation or fertilization purposes.

Water balance

Strictly speaking, the difference between the water withdrawn (surface water, groundwater and drinking water from the public supply) and the wastewater discharged/water delivered for irrigation or fertilization purposes cannot really be defined as water consumption, since it continues to be part of the natural water cycle. In fact the water is released to the atmosphere; for example, by cooling or drying processes, or is contained in the product itself. The following table outlines the water balance at Südzucker Group's production plants:

Difference between water withdrawal and water discharge in the Group[1]

Million m³	2017/18	2018/19	2019/20	2020/21
Surface water	25.2	26.4	27.8	27.2
Ground water	11.2	12.4	12.8	12.7
Water supplier	3.3	3.8	3.7	3.6
Water withdrawal	**39.7**	**42.6**	**44.3**	**43.5**
Water discharge	**52.9**	**54.0**	**54.8**	**54.5**
Water balance	**−13.2**	**−11.4**	**−10.5**	**−11.0**

[1] Prior years adjusted.

TABLE 010

The figure of −11.0 million m³ in the water balance shows that we recirculate much more water at company level than we withdraw, as a great deal of water is supplied via the raw materials processed at the locations, such as sugar beets, chicory roots and apples.

The absolute volumes of water withdrawn and water discharge remained almost unchanged compared to the year prior.

Water balance in regions with water stress

In fiscal 2020/21, Südzucker identified production locations that were in water stressed regions according to the Aqueduct Water Risk Atlas and partially also the WWF Water Risk Filter. In total, 24 locations within the GRI reporting boundaries are situated in regions with high or very high water stress. The majority belong to globally active fruit segment.

We have returned significantly more water than we have withdrawn, even in areas of water stress. Agricultural raw materials processed at the sugar and fruit juice production plants operated in these areas have a high water content, so that the factories' water balance is −4.1 million m³. In some cases, our activities even allow us to contribute to the conservation of locally limited groundwater resources. One example of this is the Tirlemontoise refinery in Belgium.

Water storage

Normally, the water withdrawn at the production locations is directly discharged after being used in the production process, without any intermediate storage. The water design concept is based on pond management, especially in connection with the sugar factories, so there is a delay before the water is discharged. As a result, there are positive aspects from a water management perspective; for example, in addition to being able to supply water to third parties when water is scarce, the flow rate to the receiving streams is held constant.

During the drought years 2018 and 2020 for instance, our Belgian sugar factories in Flanders supplied excess water from the sugar beet washing process to local farmers for irrigation purposes. The water had been stored during the previous beet campaign and meets all legal requirements for use in irrigation.

Circular economy

Utilization of raw materials

Every year, we buy and almost entirely convert about 31 million tonnes of agricultural raw materials such as sugar beets, grains, corn, chicory and fruit into high-quality products.

For example, we make not only sugar, but also sugar beet pellets, molasses and carbokalk (carbolic lime) from sugar beets. The sugar beet pellets are used as animal feed or as raw material to produce energy from renewable sources, the molasses both as animal feed and a raw material for the fermentation industry to produce products such as yeast, ethanol and citric acid, while carbokalk serves as an agricultural lime fertilizer.

We make inulin, animal feed and fertilizer from chicory.

We make starch products and bioethanol from grains. We produce protein-rich food and animal feed from the non-fermentable ingredients, which also contain valuable dietary fibers, fats, minerals and vitamins. These products have a high nutritional value and make an important contribution toward reducing Europe's import requirements for plant-based proteins, especially soya from North and South America.

The carbon dioxide generated at the ethanol production plants in Germany, Austria and the UK during fermentation is captured, purified and liquefied. A purpose-built plant that will produce biogenic CO_2 of the highest purity for use in the food, health and environmental sectors is under construction in Belgium. The gas will be used as a substitute for CO_2 from fossil sources, for instance in the beverage industry.

The press cakes that remain after producing apple juice concentrate, called pomace, are used as a source of dietary fiber; for example, in muesli and snack products. Other products include aromas and apple flour. Stems and leaves are returned to farmers, who use them as organic fertilizer.

Soil adhesion

Reducing the amount of soil that sticks to sugar beets and chicory during the harvest and truck loading has a positive impact on both the volume transported and effort required during processing and wastewater treatment.

We therefore aim to preclean sugar beets before they leave the fields to the greatest extent possible. The percentage of precleaned sugar beets was 94.1 % in the 2020 campaign, and 98 % for chicory in Belgium. Depending on weather and soil conditions, the volume of soil that remains on the beets and/or chicory after cleaning is between 6 and 14 %.

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 material cycle is thus closed and soil fertility preserved.

Avoiding and reducing environmental pollution

Waste

The input raw materials Südzucker Group purchases are almost entirely converted to high-value products. The total volume of waste is thus very low in comparison to the volume of raw materials processed. Most of the waste is recycled, composted or used as a source of energy. Of the volume of raw materials we processed in fiscal 2020/21, we generated and disposed of only two kilograms of waste per tonne of raw material (0.2 %); i.e., material that was not recycled, composted, or used for energy generation. The volume of waste defined as hazardous under the EU Waste Framework Directive is very low at 0.08 kg/t of raw material or 0.008 %.

The total volume of waste was about 20,000 tonnes less than last year. The recovery rate is approximately 85 %. We recycle around 55 % of the waste volume. The higher landfill volume compared with the previous year is within the range of annual fluctuations and is mainly attributable to construction activities or demolition work related to plant closures. The same applies to the volume of hazardous waste. For the waste from material utilization, there was proportionally less recycling and more composting. This is also within the usual variation band.

Waste by disposal type in the Group

Thousands of tonnes	2017/18	2018/19	2019/20	2020/21
Recycling	296.5	302.3	276.3	236.8
Landfill	68.6	65.9	46.6	53.7
Composting	75.3	91.2	82.0	94.4
Incineration	24.7	25.8	32.5	32.9
Other	28.5	16.8	10.1	9.7
thereof dangerous waste [1]	*1.6*	*1.6*	*1.5*	*2.4*
Total	**493.5**	**501.9**	**447.5**	**427.5**

[1] Mainly used lubricants from production.

TABLE 011

Packaging

Our raw materials are largely supplied in bulk and/or unpackaged.

To minimize negative impacts of our product packaging we are avoiding disposable packaging as much as possible and giving strong preference to environmentally friendly packages.

In the sugar segment, the share of bulk deliveries (solid and liquid sugar) is about 59 %.

Almost all products in the CropEnergies segment are delivered in bulk form.

The fruit segment ships about 85 % of its products in bulk using silo trucks, rail tank cars or reusable containers such as steel tanks.

If packages are necessary; for example, when selling smaller quantities or to end-users, we ensure to use sustainable materials: By the end of 2020, all paper and cardboard packaging used in the sugar segment in Germany, France, Poland and Belgium will be made of FSC-certified material. Projects to switch to appropriately certified materials are also underway in other Group divisions.

The Freiberger Division is currently carrying out a comprehensive project that aims to reduce the amount of plastic wrapping for pizzas. For example, at Stateside in the UK, a new innovative film reduced the volume of plastic pallet wrapping used by 48 % in 2020 compared to the previous year. Various research projects have been launched in cooperation with research institutes in an effort to reduce the volume of plastic required by Freiberger to the greatest extent possible in the medium and long term. We are especially intent on analyzing to what extent we can use packaging films made from renewable raw materials.

Protection of biodiversity and ecosystems

Our policy is to use sustainable agricultural methods for cultivating our raw materials; furthermore, they are not to be planted on land worth protecting or at the expense of biodiversity.

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, IFS Food, GMP+ or SAI.

As a basic principle, we purchase as many of our agricultural raw materials as possible regionally and directly from the local farmers. This also enables us to work in concert with the growers to improve sustainability. Südzucker uses agricultural raw materials and primary products, which are sourced mainly from European production and comply with the EU's cross compliance principles for agricultural production with associated constraints on farmers. Most of the agricultural materials Südzucker procures in the EU are not irrigated.

Südzucker buys sugar beets exclusively from farming operations situated close to its sugar factories. As part of contract farming, annual beet supply contracts are concluded that regulate cultivation, delivery and payment conditions. Farmers use only GMO-free seed.

The beet farmers commit to complying with cultivation measures that adhere to the principles of sustainable agricultural management. For example, to keep the soil healthy, sugar beets may only be planted in the same field every third year at the earliest. Plant protection programs comply with the guidelines of integrated pest management.

Südzucker complies with all European and national regulations; for example, with respect to greening and cross compliance. Farmers produce and maintain plot records in order to ensure crops are documented and traceable.

Organic beets are cultivated in accordance with the EU Organic Farming Directive and the guidelines of the organic farming associations BioSuisse, Bioland, Naturland, Biokreis, Gäa, Demeter and Verbund Ökohöfe. The minimum standard is BioSuisse.

Special sustainability criteria apply to agricultural materials used for ethanol production. This ensures 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.

Freiberger has been a member of the European Broiler Chicken Initiative, which aims to improve broiler chicken welfare since the beginning of 2021. Freiberger and its suppliers are committed to implementing the defined standards no later than 2026.

Sustainable Agriculture Initiative Platform (SAI)

Südzucker is a member of the Sustainable Agriculture Initiative Platform (SAI), the leading global initiative for promoting sustainable farming methods. By actively participating in SAI, we document our adherence to comprehensive environmental and social sustainability criteria in the sugar, special products and fruit segments.

Südzucker and its sugar beet growers were again able to demonstrate adherence to the SAI sustainability criteria in 2020 by receiving the RedCert2 certificate and by participating in the Farmer Self Assessment (FSA) survey. In fiscal 2020/21, Südzucker achieved FSA gold status in Germany and Belgium and silver status in France and Poland. We aim to achieve the highest FSA rating for sustainability - gold status - in each of these countries by 2022 at the latest. At AGRANA Zucker, every group of farmers that completed their external

2020 verification achieved at least silver status. AGRANA aims to ensure that those contract farmers who apply the FSA system achieve at least FSA Silver status.

Sustainable land use and agriculture

Since its founding, Südzucker has operated its own farms close to its processing locations in Germany, and later also in Poland, Moldova and Chile. In 2018, an experimental Farm was established in Kirschgartshausen, Germany. Südzucker continuously works on topics surrounding sustainable and innovative crop production on its farms, especially the experimental farm (→ research and development). Based on our expertise from plot and large-scale trials, we help farmers; for example, to use modern cultivation methods, environmentally friendly crop protection, diverse crop rotations, biodiversity and digitalization. This supports the activities of the southern German working groups – they are under the umbrella of the Kuratorium für Versuchswesen und Beratung – for advising farmers.

Currently, the focus is also on implementing the new Fertilizer Ordinance and the EU Nitrate Directive in Germany. In cultivating sugar beets, Südzucker has strict fertilization guidelines precisely tailored to the arable crop and respective location. The company's own subsidiary Bodengesundheitsdienst GmbH (Soil Health Service) analyses soil samples to ensure optimum use of soil nutrients and to reduce nutrient input at the same time.

Sugar beets are considered a "health crop" because they effectively utilize the nutrients present in the soil and leave only trace levels of nitrate under the other crops after the fall harvest. Furthermore, fertilization optimally matched to plant requirements reduces nitrous oxide emissions and thus scope 3 emissions.

Promoting biodiversity

In 2020, about 343,000 ha of sugar beets were cultivated for Südzucker Group. Adhering to crop rotation and promoting biodiversity are key priorities for Südzucker. This is one reason the group has launched and supports numerous programs that raw material suppliers use to contribute to biodiversity.

The company has provided seed mixtures for flower strips free of charge in Belgium, Germany, France and Poland since 2014. The number of flower strips in 2020 was 1,800. 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.

The company reserves plots on the fields of each of its own farms to test initiatives that promote biodiversity. They can for example be designated as habitats for partridges in sugar beet fields or for implementing multi-layered crop rotations. Steps are also being taken to improve the field hamster population. About 10 % of the land is farmed organically. In recent years, hedgerows and woods have been planted at some sites.

The research work at Südzucker's experimental farm in Kirschgartshausen is also focused on biodiversity. In addition, the joint project with the Institute of Agroecology and Biodiversity in Mannheim to conduct comprehensive ecological monitoring of various biodiversity measures for sugar beets, which has been ongoing since 2018, was extended for a further two years at the beginning of 2021 and supplemented with additional topics. Findings to date will be released in 2021 and will be used as a resource for consultations with farmers.

EMPLOYEES

~ 17,900

employees in
32 countries worldwide

~ 350 apprentices

in about 20
professions

> 300 improvement recommendations

for idea management

People from widely differing backgrounds and cultures work hand in hand at our globally active group of companies. We focus on their individual skills and talents. Every day, we work to create a climate of mutual trust at our group of companies, as well as a work environment free of any type of prejudice and discrimination, where everyone is accepted and can contribute with their talents, knowledge, experience and opinions.

We want to continue to successfully follow this path together with our employees and social partners and create conditions that allow these principles to be practiced on a daily basis.

Number of employees[1]

Employees by segment at balance sheet date

28/29 February	2021	2020	+/– in %
Sugar	6,141	6,597	−6.9
Special products	6,131	6,017	1.9
CropEnergies	450	450	–
Fruit	5,154	6,124	−15.8
Group	**17,876**	**19,188**	**−6.8**

TABLE 012

The total number of Südzucker Group employees as of the 28 February 2021 balance sheet date declined by about 7 % to 17,876 (19,188). In the sugar segment, the decrease resulted in particular from the closure of four sugar factories following the 2019/20 campaign. The decline in the fruit segment was largely due to a significantly lower need for seasonal workers in the fruit preparations division.

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

Corporate responsibility

Südzucker is committed to treating all people within and outside our group of companies with appreciation and respect.

Südzucker's code of conduct (→ suedzucker.de/en/unternehmen/Verhaltenskodex) is the basis for Südzucker's interaction with employees and for the employees' behavior towards each other and towards external persons.

The contents of the Südzucker code of conduct, which combines applicable law and international standards, operating procedures and rules, Südzucker corporate guidelines and employment-contract-related obligations toward Südzucker, are communicated via training measures and the provision of appropriate documents. Executives therefore take on a special role as both mentors and multipliers. They are trained specifically on this topic as part of management training courses.

Adherence to Südzucker's code of conduct is monitored by an internal audit and an anonymous whistleblower system.

Strict adherence to applicable human rights protection regulations is an integral 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, slavery or compulsory labor in any form. (→ society, respect for human rights).

Open communications

Südzucker significantly intensified communication with employees in many areas last year. One tool we used was employee surveys, which provided valuable feedback concerning corporate strategy, sustainability, home offices and the IT landscape.

A group-wide employee magazine, regular newsletters and video messages also provided information on key developments at the company. The main focus was on topics relating to the Corona pandemic and the realignment of the corporate strategy.

Promoting diversity

The Diversity Charter is an employer initiative to promote diversity in companies and institutions in Germany, which Südzucker signed, thus clearly committing to promoting diversity. Diversity opens up new avenues and unlocks potential throughout the group. Working in heterogeneous teams with employees of different nationalities, cultures or different ages and genders promotes innovation and leads to greater success. We have task forces throughout the group developing appropriate ways to promote diversity.

Employees by region, employment relationship and gender

In fiscal 2020/21, the number of the company's workers permanently employed totaled to 89 (85) %. Only 11 (15) % of the employees are part-time. The majority of these are hired seasonally, mainly to help with harvesting and/or during processing campaigns.

Germany had 4,305 (4,396) employees, as the country's share of the total declined slightly. The share of permanent employees was 3,711 (3,780), nearly unchanged at 86 %. The remaining EU countries account for 7,604 (8,042) employees or 41 % of the total, while the other foreign countries account for 6,448 (7,550) or 35 %. About 7,326 (7,580) or approximately 96 (94) % of the employees in the rest of the EU are permanently employed, and 5,319 (5,531) or about 82 (73) % in other countries. The number of part-time workers employed by the company remained unchanged at about 4 %.

Employees by region at balance sheet date (headcount)

28/29 February	2021	2020	+/– in %
Germany	4,305	4,396	–2.1
Other EU	7,604	8,042	–5.4
Other countries	6,448	7,550	–14.6
	18,357	**19,988**	**–8.2**

TABLE 013

As of 28 February 2021, the number of employees according to employment relationship and gender for the group overall were as follows:

Employees by contract type and gender

28 February 2021		Total	Permanent	Non-permanent
Full-time	Male	12,711	11,587	1,124
	Female	4,905	4,081	824
Part-time	Male	110	99	11
	Female	631	593	38
Total		**18,357**	**16,360**	**1,997**
29 February 2020				
Full-time	Male	13,312	12,032	1,280
	Female	5,930	4,189	1,741
Part-time	Male	137	90	47
	Female	609	582	27
Total		**19,988**	**16,893**	**3,095**

TABLE 014

Equality

Südzucker adheres to all legal requirements – including the general equal treatment law that prohibits discrimination. Employees are 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. As a result of the company's extraordinarily strong production and technology orientation, male employees still account for a significantly higher proportion of the workforce at all levels. The proportion of female employees in the Group-wide trainee programs has developed encouragingly. It amounts to 50 %. In the international on-boarding programs, the proportion of women is now around 35 %.

Management by level and gender

28 February 2021	Total	Male	Female
1st management level	131	122	9
2nd management level	360	279	81
Total	**491**	**401**	**90**
29 February 2020			
1st management level	143	131	12
2nd management level	368	282	86
Total	**511**	**413**	**98**

TABLE 015

The proportion of women in Südzucker Group's total workforce declined significantly to about 30 (33) %. The drop is due to the sharply lower number of female seasonal employees in the fruit preparations division. The share of women working at management level remained almost unchanged at 18 (19) %.

Age structure, length of service, new hires and fluctuation

The company's age structure continues to be relatively balanced and the average length of service within the group is almost unchanged from last year. Over 55 % of the employees have been working for the company for more than 5 years.

Employees according to age group in %

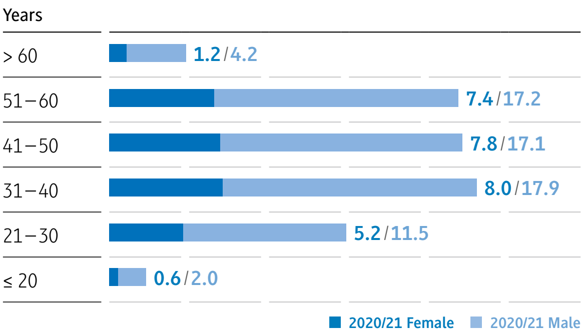


DIAGRAM 010

Length of service in years in %

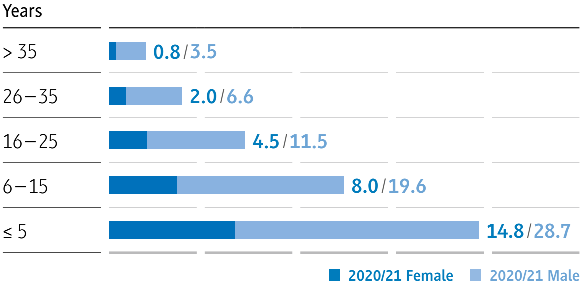


DIAGRAM 011

New hires and fluctuation

2020/21	Total	Male	Female
New hires	2,268	1,557	711
Fluctuation	2,903	2,088	815
2019/20			
New hires	1,703	1,317	386
Fluctuation	2,029	1,477	552

TABLE 016

The chart of new hires and employee fluctuation for employment relationships of indefinite duration shows the number of outgoing staff to be considerably greater. The number of staff fluctuation, which includes employer and employee terminations and retirements, exceeds that of new hires by more than 600.

Fluctuation is particularly a result of the structural program in the sugar segment. The workforce reduction was managed in a socially responsible manner together with our social partners (e.g. part-time retirement programs, severance agreements).

Südzucker – an attractive employer

Career training

Südzucker Group's apprenticeship program continues to be a key building block toward securing its own skilled workforce for the long term. The number of apprentices at Südzucker Group dropped to 354 (376) as of 28 February 2021. In total, 204 apprentices were enrolled in the dual system or as part of an in-company study program in various professions at Südzucker AG, Freiberger Group and AGRANA in Germany as of 28 February 2021. In Algeria, France and Austria, 115 people are trained according to a system comparable to one in Germany. The remaining apprentices are enrolled in the various local programs provided in Brazil, Mexico and the United Kingdom.

Continuing education

Our digital learning platform, the Südzucker Group Campus, plays an important role in teaching soft and methodical skills, foreign languages and IT tool competence. Other courses such as product training and functional processes are to be transferred to this platform. The Südzucker Group Campus also provides regular, seamlessly documented mandatory training, as well as ensuring adherence to all legal and other code requirements (work safety, compliance, data security, hygiene, etc.).

Apprenticeship careers at Südzucker Group

- Chemical laboratory/chemical engineering
- Electrical engineering
- Electronics for production engineering
- Industrial clerk
- Process control and electrical operations
- Electronics and automation technology
- Industrial mechanics
- Information technology
- Warehouse and plant logistics
- Agriculture
- Food technology
- Mechanical engineering
- Industrial mechanic
- Machine and plant operation
- Mechatronics
- Metal technology
- Information systems

Personal development and career planning

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

An employee survey on corporate strategy provided useful information and suggestions for Südzucker Group's future development. The topics of career planning, continuing education and leadership attracted particular attention. The new futurework@Südzucker initiative aims to align personnel growth programs such as junior management development and talent management with Südzucker Group's strategic plans. Some of the programs included here are making it easier to work off site, introducing new digital collaboration tools or working in international project groups. Onboarding is a tool for familiarizing new employees with the organization, increasing their willingness to perform and retaining them over the long term. A common group-wide onboarding concept serves not only to facilitate rapid orientation of new employees, but also forms the basis for personnel development and the creation of networks in the divisions and departments.

To continuously support employees in their personal and professional growth, Südzucker regularly offers feedback sessions where employees work with their supervisors to develop ideas for their further training and individual development. In addition, Südzucker conducts trainee programs and junior management development programs at regular intervals to support employees in their personal and career goals.

Vacancies are advertised internally throughout the group and, if appropriate, preference is given to employees from within. This allows employees to advance inside the company, which develops expertise and expands experience within the company.

Executive development

A comprehensive training program for management development was launched in fiscal 2020/21 as a pilot program, including the modules "fundamentals of contemporary leadership", "motivating employees" and "giving feedback". A parallel pilot program was launched to promote and better network women in management.

Work-life balance

Reconciling work and family life presents difficult challenges for many employees today. We provide a foundation for overcoming these challenges with our working conditions (company agreement on mobile work, flex-time agreements, temporary part-time agreements, childcare options while on vacation, paid leave for special family events). Implementation requires feasibility in work organization and confidence. Values such as loyalty, reliability, independence and responsibility become even more important in this context.

Company suggestion program

Südzucker, BENEO and CropEnergies employees in Germany submitted over three hundred improvement ideas in 2020/21. The most important ideas related to occupational safety, process improvement and cost optimization. Südzucker involves its employees in the design of their own work processes; not only to increase their identification with the company, but also to promote a positive work environment and an open corporate culture.

Compensation and benefits

Our payment system is based on fixed and variable components plus a benefit plan. We continuously work on ways to increase Südzucker's attractiveness as an employer. Our employee benefits include monetary and non-monetary components and vary by region and company. They comprise a company pension plan, profit sharing, Christmas bonuses, share ownership plans and various insurance policies, some of which also apply in the private sector.

Südzucker – a reliable employer

Südzucker undertakes to implement worker protection policies that guarantee employees a high level of health and safety at the production plants. Work safety and health protection are of key importance to the entire Südzucker Group. 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".

Management policy

Our occupational health and safety management system describes processes and responsibilities and provides ways to evaluate and improve them. The defined processes ensure compliance with occupational health and safety standards. Specifically these include the national implementation rules of the European general directive on occupational health and safety (Directive 89/391/EEC), the directive on minimum specifications for safety and health protection with the use of tools and equipment on the job (2009/104/EC), the directive on minimum requirements for improving the safety and health protection of workers potentially at risk from explosive atmospheres (1999/92/EC).

Those responsible for ensuring compliance with all occupational safety measures required by law or stipulated by the company are defined in the management system and receive technical support both from internally appointed occupational safety experts and, if required, from external specialists. Südzucker Group occupational health and safety experts work closely with one another to ensure a comprehensive exchange of ideas, problems and resolutions. The focus is on ways to implement best practice solutions, hazard analyses and training for employees and managers.

Workplace safety

We regularly assess and evaluate work and plant safety risks. Risk assessment procedures are defined in the management system.

Established checklist-based procedures are used to assess the severity of possible injuries and their probability of occurrence. In addition, we are especially careful with machines and systems maintenance processes, where we use so-called work approval procedures to also identify hazards.

We record, investigate and evaluate work accidents and – to the extent possible – events that almost caused occupational accidents (near misses). We also define required protective and preventive measures and conduct internal audits as necessary.

The following production locations were accident-free during the past year: In the sugar segment, the factories in Buzau, Romania; Hohenau, Austria; Wijchen, Netherlands; Ropczyce, Poland; and Strzelin, Poland; the starch factory in Zeitz, Germany; in the CropEnergies segment, the locations in Loon-Plage, France; Wanze, Belgium; and Wilton, UK; in the special products segment, the plant in Pemuco, Chile; and many locations in the fruit segment. Accident-free plants were awarded in an occupational safety competition. The number of accidents across the group fell to 324 (383), and the overall accident rate was reduced from 10.8 to 9.4 compared to the previous year. The number of accident-related days lost was also reduced from 174 to 161. There were no fatalities due to work-related injuries in the reporting period. In the reporting year, the number of hours worked was 34.5 million.

Occupational safety indicators [1]

	2017	2018	2019	2020
Injury rate	11.6	12.1	10.8	9.4
Number of injuries [2]	–	–	383	324
Lost working day rate	223	189	174	161

[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.

[2] Disclosure as of fiscal year 2020/21 inc. prior year.

TABLE 017

The most frequent work-related injuries that occurred were contusions, bruises and fractures, followed by cuts, lacerations, punctures, abrasions, sprains, strains, scalds and burns. The main hazards contributing to injuries during the reporting period were: mechanical equipment operation, manual assembly, powered vehicle operation, lifting and carrying loads, and insufficient awareness of hazards (due to inadequate attention and concentration), as well as trips and falls. We conduct risk assessments to identify and evaluate possible risk of injury and determine ways to reduce these risks (→ management policy).

Health protection

We strive to protect the health of our employees to the best of our ability. In the past fiscal year, the focus was on measures associated with the Corona pandemic (→ COVID-19).

We have established an occupational health service to identify the risks of work-related illnesses at an early stage, to prevent such illnesses and, if necessary, to determine workers' physical suitability for certain activities. The organization is aligned with the respective legal requirements. For example, we hire external occupational health service companies or external medical doctors. Company doctors strictly adhere to personal health information confidentiality when advising on workplace design to reduce health risks to employees. Mental stress is also assessed as part of the risk assessment process. Organizational adjustments are made if necessary and employees are offered prevention training, such as stress management courses. Part-time retirement programs help older workers manage the transition to retirement according to their individual state of health.

Südzucker offers individualized programs to protect physical and mental health at its locations as part of its company health management, such as preventive measures (back exercises, yoga, health days, nutrition and non-smoking courses, cooperation with gym facilities, participation in running events) or reintegration measures after long-term absence. The seminars and training are intended to heighten employee awareness of the importance of maintaining healthy professional and personal daily lifestyles. In the future, we will also offer these programs online. Furthermore, offers for flu vaccination are also provided.

Communication and training

The company sees communication and the participation of employees or their representatives in developing occupational safety and health protection programs as a high priority. For example, we have occupational health and safety committees in which managers, experts and employees or employee representatives regularly discuss topics relevant to occupational health and safety. We actively practice the ways of co-determination described by law in a spirit of partnership. Employees also have access to systems such as the company suggestion scheme, which provides a structured method to communicate ideas and suggest improvements.

Employees receive initial instructions dependent on the hazards associated with their jobs, and thereafter regular reinforcement. Checklists are normally used to identify and systematically record any need for training, which is subsequently provided either by supervisors, representatives or external specialists at the sites. Training courses are also held externally when necessary. We also have theme days with occupational safety topics and communicate occupational safety aspects as monthly topics on the intranet, using posters, brochures or classroom training. We also report accidents that occur in other areas of the company.

COVID-19

All Südzucker Group companies took numerous successful steps to control the Corona pandemic. The initiatives focused mainly on protecting the company's own employees and those of partner companies. A Corona task force with representatives from all divisions and relevant central Südzucker Group departments was formed to coordinate key measures. Regular virtual meetings were held weekly to define basic steps and procedures. Protective measures were consistently implemented based on technical recommendations from the Robert Koch Institute and / or the World Health Organization (WHO), as well as Corona restrictions in force in the respective countries.

We use notices, flyers, posters, the intranet, newsletters, video messages, etc. to ensure that everyone is equally informed about the precautions that apply at our company.

These measures enabled us to protect the health of our employees to the highest degree possible. We were also able to run our production and administrative processes largely without interruption even under such difficult conditions thanks to our employees' commitment.

Dialogue with employee representatives and unions

We consider social dialog with our employees' elected representatives to be important. We conduct regular working meetings to update employee representatives at the plant, company and European levels. Key co-determination issues such as organizational changes, structural or cost efficiency programs are decided by consensus.

Half of the board seats are held by representatives of the company's own employees and members of the trade union, who are thus involved in all key corporate decisions.

The unions negotiate annual or multiyear collective bargaining agreements at almost all European sites as well as many locations around the world.

Südzucker Group has a total of 67 % of its employees worldwide covered by collective employment contracts; in Germany, the ratio is 75 %, and in the rest of the EU, 84 %. Broken down by segment, the share in the sugar segment is about 96 %, in the CropEnergies segment about 63 %, in the fruit segment about 56 % and in the special products segment about 46 %.

A European Works Council has been in place at Südzucker Group for over 20 years. It meets regularly with the executive board to discuss cross-border topics.

SOCIETY

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

We attach high priority to responsibility toward our employees (→ employees) and compliance with human rights. The same applies to responsibility with regard to the people who consume our products, high value creation in rural areas, social commitment, and dialog with our stakeholder groups.

Respect for human rights

For the entire Suedzucker Group, it goes without saying that human rights must be respected together with appropriate working conditions. Our business conduct conforms with laws governing working conditions in every country in which it is active and rejects child, forced and compulsory labor. We also respect and promote international standards such as the United Nations Universal Declaration of Human Rights (UDHR), the conventions of the International Labor Organization (ILO), and the regulations of the Supplier Ethical Data Exchange (SEDEX).

Management policy

Südzucker Group's own code of conduct has been in force since 2018. It 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/). It was prepared in accordance with the international standards mentioned previously, and also makes reference to the European Sugar Industry's Code of Conduct on Corporate Social Responsibility. The latter has defined voluntary minimum standards on social issues since as early as 2004.

Südzucker's code of conduct is binding for all Südzucker Group managers and employees. Among other things, it bans child and forced labor and discrimination, and includes a requirement to protect human dignity. Its contents are communicated to employees via the intranet and posters among other means. Employees or third parties, for example, customers and business partners, may report code of conduct violations confidentially – even anonymously – by way of an electronic whistleblowing system (→ compliance).

The code of conduct forms part of our tender procedures and applies to all suppliers and contractual partners (→ www.suedzucker.de/en/Downloads/Lieferantenmanagement). It includes guidelines for sustainable procurement and defines binding environmental, labor and social standards. Compliance with social criteria in agricultural supply chains is evaluated and documented as part of the RedCert[2] certification process, which demonstrates compliance with the sustainability criteria of the Sustainable Agriculture Initiative (SAI) (→ environment).

SEDEX

Südzucker is a member of the SEDEX platform for improving responsible and ethical business practices in global supply chains and is regularly audited by independent institutions using the SMETA (Sedex Members Ethical Trade Audit) methodology. This approach enables us to demonstrate compliance with the principles of social sustainability, especially respect for and observance of human and employee rights, and makes our sustainability management processes more transparent.

In addition to reviewing working conditions and health and safety standards, a SMETA audit examines business ethics, including compliance with the law and prevention of bribery, corruption and fraud. Comprehensive information is also provided on environmental practices at the sites.

SMETA audits are usually held every three years. At the end of the 2020/21 financial year, a total of 51 (51) locations in the sugar and fruit segments as well as in the BENEO and starch divisions had valid SMETA or comparable social audits. All production locations registered with SEDEX also conduct a SEDEX self-assessment.

Product responsibility and quality

Quality management and product safety

Südzucker represents safety and high quality for all of the food, animal feed and ethanol it produces and markets.

Management policy

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

Certification

Customers in the food industry assign significant importance to checking the safety and legal compliance of our products. External certification organizations conduct the audits. Accordingly, our quality management systems are geared toward internationally recognized standards with extensive specifications and standardized assessment processes, such as IFS Food, BRC Global Standard Food Safety and FSSC 22000. Today, almost all Südzucker production plants that produce food have equivalent certificates. Various production locations have specific additional certificates for certain product groups, according to special customer requirements; for example, bio, kosher, halal or free of genetic modifications.

The same applies to the production of animal feed. The production facilities have certificates of internationally recognized feed safety standards such as GMP+ International, QS Quality and Safety or FCA.

Implementation of quality management systems

The HACCP (Hazard Analysis Critical Control Point) 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 generates gross value added worldwide of up to € 4.5 billion[1] per annum. The company's production sites generate above average growth and employment. Furthermore, the company's positive impact on upstream sectors, especially agriculture, is above average compared to other industries (gross value added multiplier: 4.4). Südzucker Group's business activities create about 90,000 direct, indirect and induced jobs, of which over two-thirds are generated by the sugar segment. The remaining 30,000 jobs are provided by the special products, CropEnergies and fruit segments.

Social commitment

Südzucker Group's social commitments include, in particular, projects to promote science and education, also at universities, stewardship of the sugar industry's historical heritage through our "museum sugar factory" in Oldisleben, Germany, and our corporate archive in Offstein, Germany, sports sponsorship and support for various social projects in the immediate vicinity of our locations.

The Corona pandemic continues to severely challenge society as a whole. Südzucker Group is considered part of the critical infrastructure and as such is responsible for ensuring a reliable supply of food and ethanol to citizens. Comprehensive procedures were rolled out at the company's sites to protect the health of employees.

We supported social and charitable institutions close to many of our sites at short notice with food donations and large volumes of disinfectant made from neutral alcohol.

We continued with the "Südzucker für Kids" and "Grant 5000" programs that we have sponsored for many years. Our employees have also suggested many local institutions and initiatives that are committed to helping children, some of which were chosen and financially supported.

There will be a greater focus on corporate volunteering in the future; initial experience has been consistently positive. For instance, last September 25 employees took part in the Rhine-Neckar Region's Volunteer Day, partly by initiating activities and partly by participating.

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

Dialogue with various stakeholder groups

Südzucker is in close contact with various social stakeholders. We are totally committed to maintaining a dialogue with politicians, institutions and nongovernment organizations and supporting industry associations through active participation and membership. (→ table 018). Here we also want to contribute to solving regulatory issues in a practical manner. Our communication is based on scientifically founded factual positions.

The group website provides the general public with extensive information about the company. Press releases regarding current developments at the company are also posted there. We directly respond to inquiries from media representatives.

We value having a good relationship with the communities in which our production locations are situated, as well as with our neighbors. The respective factory managers are available to answer local inquiries and concerns and discuss issues with local political bodies and interest groups.

In principle, we offer tours at our sugar factories so that interested parties can learn about sugar produced from the sugar beets grown in the region. However, last fiscal year we were unable to conduct such tours due to the Corona pandemic.

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

Memberships in industry associations and interest groups

Industry association or interest groups	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
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
Forum Moderne Landwirtschaft e. V.	Berlin / Germany	Südzucker AG	Germany
Lebensmittelverband Deutschland e. V.	Berlin / Germany	Südzucker AG	Germany
Starch Europe	Bruxelles / Belgium	AGRANA Stärke GmbH	EU
VdZ – Verein der Zuckerindustrie e. V.	Berlin / Germany	Südzucker AG	Germany
WVZ – Wirtschaftliche Vereinigung Zucker e. V.	Berlin / Germany	Südzucker AG	Germany

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

TABLE 018

RESEARCH AND DEVELOPMENT

Groupwide research and development responsibilities and projects reflect current and future social and political developments; for example, healthy nutrition or climate change.

The focus is increasingly shifting toward strategies for decarbonization, coal phaseout and CO_2 neutral production in the sugar, starch and bioethanol production units. Work has begun on examining possible alternatives for all divisions. R&D is conducting studies and using computer modeling to evaluate the economics of different options.

Recent investments in a modern research infrastructure and cooperation with experts in the different divisions of the Südzucker Group enable us to tackle market trends and potential innovations at an early stage. The resulting research projects are geared toward meeting customer needs. We also collaborate with research institutes, other companies, government institutions or universities, often on publicly funded projects.

R&D staff work on behalf of the whole group across borders on issues along the group's entire value added chain. We share and make information available to all Südzucker Group stakeholders to ensure that research results can be quickly transformed into practice. Patent applications safeguard our expertise.

The R&D department has 468 (453) 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. Research and development expenses in 2020/21 were € 48.3 (46.3) million.

Raw materials

We conduct intensive research to maintain or increase the yield and quality of the agricultural raw materials we process to make our products. Sustainability is key to our work.

Most of our products are made from agricultural raw materials. Our research on plant protection, variety selection, cultivation, fertilization and raw materials with special properties aims to maintain or increase the yield and quality of the agricultural raw materials we convert, so that an adequate volume will continue to be available to us in future.

Plant protection

Sustainable cultivation of our agricultural materials includes combating weeds, diseases and pests. Increasing restrictions on approved substances, changing regulatory frameworks and, finally climatic changes require us to continuously renew and innovate our approach to research in this area.

The focus in the sugar cultivation category is on testing various machines and robots that can substitute for or supplement pure chemical weed control. Both exclusively mechanical methods and the combination of mechanical and chemical solutions with significantly reduced application rates are being tested. We are currently following up on the first promising approaches.

We have been successfully using the same monitoring methods to systematically control leaf diseases for 25 years. Last year we began to apply it to aphids. When generally accepted thresholds are reached or exceeded, we inform the farmers in the affected region so that they can take targeted action to combat any diseases and pests. This allows the company to stay within the rules of integrated plant protection for both diseases and pests. Plant protection agents are only used when absolutely necessary.

One area of focus is on research into a bacterial disease called SBR (Syndrome Basses Richesses, low sugar content syndrome), which is transmitted by cicadas and threatens profitable cultivation of sugar beets in the affected regions. R&D is investigating various alternative approaches to the usual agrochemical measures; for example, adjusting crop rotation, strengthening plants' own defense mechanisms and using various natural antagonists. A combination of adjusted crop rotation and SBR (Syndrome Basses Richesses) robust varieties is showing great promise.

Varietals

New diseases and pests, increasing resistance to pathogens that have been in use for years and extreme weather conditions are placing new demands on arable crops. Suitable newly developed sugar beet varietals are being field tested for performance in all of Südzucker Group's cultivation areas. The aim is to be able to recommend to farmers the best suited beet type for their particular region. New, more resistant varieties should make it possible to reduce the need for plant protection substances to a certain extent without serious negative yield impact.

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

Long-term storage

One of the prerequisites for sugar factories seeking to lengthen their campaigns would be the ability to store sugar beets longer without incurring greater losses. Various multi-year test programs on long-term sugar beet storage are almost completed. We are currently looking for simple, cost-effective methods to transform the results from the trials into practice.

Raw materials with special properties

The focus in the food segment is on products that are characterized by particularly functional properties or contain ingredients that have health benefits we can promote. Here Südzucker takes a holistic approach. Starting from the cultivation of the agricultural raw materials, we conduct research on technologies that enrich and separate the ingredients and develop product concepts for introducing these to market.

Raw materials for starch

Demand for specialty starches continues to expand. Intensive research into new corn and wheat varieties is required to extract these special starches.

In order to ensure problem-free extraction and further refinement of any new starch, we must therefore examine the suitability for processing of any new waxy corn varieties that are introduced each year.

We were able to successfully process new wheat varieties that are particularly rich in amylopectin. Comprehensive experiments demonstrated promising and interesting product properties for the extracted starch.

Processing technologies

Our efforts to further develop and optimize our factories' production processes focus on energy (reduce energy requirements/use renewable energies), yields and product properties (quality, shelf life, storage).

The close interaction between process development and engineering in the research and development department enables Südzucker Group to make rapid, targeted investment decisions. Computer-based modeling systems are used to ensure that new processes can be quickly introduced at the production plants. Centralized expertise defines standards, guidelines, benchmarks and best practices. We manage strategic process, electrical and automation assets centrally over their lifecycle to ensure uniform standards and equip plants with state-of-the-art technology.

Improving sugar factory production processes is an ongoing task. The objectives include increasing overall yield, producing high-quality end products, reducing energy consumption and optimizing beet pulp compression.

For starch production, the focus is on developing processes and technologies for organic products that will enable the company to meet the increasingly strict requirements for organic quality certification in the EU going forward.

We completed a process optimization project to boost yields and improve crystal quality for functional carbohydrates. We are working closely with stakeholders to implement the process and technical changes. We modified the fructan process technology to produce new liquid variants that were subsequently introduced to the market. We developed new rice starch production processes in order to offer cold water soluble rice starches, which have a wide range of market applications.

We are in the process of developing concepts for using more CO_2 for the fermentation process at our ethanol production plants, as well as for cutting primary energy demand and using regenerative power sources. Fermentation itself is one of the most challenging process steps of ethanol production. We are conducting research on new enzymes and yeasts to improve efficiency and profitability in addition to examining the influence of the raw material itself.

We continue to conduct large scale studies and experiments with various feedstocks and recyclables as potential raw materials for ethanol production – so-called 2G concepts. As part of these evaluations we are also investigating the use of materials containing lignocellulose and their further utilization.

We further assessed the process to reduce microorganisms for the fruit preparations division. In addition to simply using heat to pasteurize fruit preparations, we developed concepts for suppressing the growth of heat-resistant germs and tested them in various simulations.

We conducted a comprehensive study to lay the groundwork for developing products that have a longer shelf life and can be transported and stored at ambient temperature. The focus is on the influence of time and temperature on quality parameters such as microbiology, color, taste and micronutrients.

The aim is to ensure that the end products remain as natural as possible. The key indicators are the color, taste and texture of the fruit pieces. With the help of computer simulation, we are developing a fruit handling process that is designed to be as gentle as possible. It is to be used for producing fruit preparations when complete.

Products, product enhancements and application concepts

We are evaluating new raw materials and product concepts with the help of innovative technologies. The objective is to create a basis for penetrating new business sectors, especially from a sustainability and bioeconomic perspective.

Food

We focus on current trends in the food industry for the food division. We are aiming to create innovative product solutions that target the rapidly expanding market segments for vegetarian and vegan products, consumer-preferred clean label and organic products and reduced fat and sugar in processed foods.

Sugar and specialty sugar products

We produced a sugar with a modified crystal structure and altered physical properties, on a pilot scale. It has a modified sweetness profile and is being tested for use in reduced sugar baked goods and fatty fillings.

We developed a natural raw beet sugar for use in foodstuffs using a special manufacturing process that completely dispenses with other additives.

A variant with 30 % less sugar and 10% fewer calories was developed for the fondant business. We continue to work on developing new varieties of Compri sugar.

Betaine

Betaine is produced from molasses, a byproduct of the sugar production process. It has a wide variety of applications; for example, for use in animal feed, food supplements, sports drinks, and even cosmetics. We have now developed a crystalline variant to supplement the already launched liquid product.

Functional food ingredients

Researchers developed additional product concepts for functional food ingredients, often by working hand-in-hand with customers. Claims supporting nutritional and physiological benefits are essential to marketing these products, which is why we continue to conduct intensive nutritional research on Palatinose™, inulin and oligofructose. The studies focused on improved blood glucose management, metabolic regulation and bowel health. The results also enabled a corresponding claim to be filed with the European Food Safety Authority.

Researchers developed new recipes for the use of **Palatinose™** in beverages, baked goods, dairy products and sweets and brought them to market. We are continuing to promote the possibility of using Palatinose™ with technological advantages in foods. We are also investigating the influence of Palatinose™ on oxidative processes, color stability, taste, storage stability and food texture.

We conducted a comprehensive study on application possibilities for **inulin and oligofructose** in breads and sweet breads (brioche). We investigated the application properties of bio-inulin – especially its influence on texture – and cheese spreads and their substitutes, as well as in baked goods. A further focal point is to develop so-called vegetarian formulations with functional dietary fibers, especially for spreads and frozen and fermented desserts.

Rice starch and rice flour
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. We developed and launched a new, cold-swelling functional rice starch.

Plant-based proteins
We continue to focus on plant-based proteins for the rapidly growing vegetarian and vegan food market. Vegan products based on wheat proteins in combination with other proteins are now being made on a production scale. We developed products with varying textures for specific applications. Initial products have been established in the market.

We are conducting extensive research on protein enriched flours, extracted protein isolates and concentrates, as well as protein hydrolysates. In addition to the physiochemical properties, we are using the functional properties especially to incorporate them into food systems.

Starch
Our aim in developing new application concepts and formulations for food starches is to be able to respond quickly to current food industry and market trends. Extensive research is being conducted on innovative product solutions based on new technologies or raw materials.

Fruit preparations
There is a clear trend toward developing innovations in the food sector. One of the ways we are addressing this is by developing fruit preparations suitable for use in 3D printers for imaging abstract structures.

So-called "brown sauces" are another initiative we are working on. We have developed appropriate formulations for the leading flavors chocolate, caramel and coffee, particularly for the baked goods and ice cream industries. Viscosity and rheology play a key role here.

Not all countries in which AGRANA operates are allowed to import chocolate. As a chocolate blend is desired in a number of products, a simple process has been developed that aims to produce chocolate chips in the respective country.

Non food
Organic chemicals
One of our research goals is to develop sustainable product concepts in which carbohydrates are used as a raw material source and thereby create alternatives to petrochemical-based products.

In another project, we are looking for ways to utilize the high-purity CO_2 produced in large quantities at the bioethanol plants.

A potential approach is the utilization of CO_2 in combination with hydrogen, generated with power from renewable sources. This allows the production of sustainable products that can be applied as fuel additives, platform chemicals or monomer components in bio-based plastics.

Another approach is the material use of CO_2 obtained from ethanol fermentation. The " ZeroCarb FP " project sponsored by the German Federal Ministry of Education and Research (BMBF), has made further progress. A cultivation process for a microorganism that utilizes CO_2 to deliver intermediate chemical products was developed in the laboratory and a pilot plant was designed to prove the technical feasibility. The design and engineering phase was started in order to prepare the basis for an investment decision. The sustainable bio-based chemicals extracted in this manner are to be used as petrochemical product substitutes.

A consortium is analyzing implementation of a power to gas concept under the auspices of a BMBF project – also using CO_2 from fermentation. The focus is on optimizing biotechnological conversion of CO_2 into methane. A pilot plant was developed and started up to provide data that will enable implementation concepts to be designed. Hydrogen is supplied by coupling with an electrolysis unit fed with regenerative energy. With this concept now finalized, data will be generated and implementation concepts created. The transferability to the production of other substances such as methanol is also being conceptually investigated.

In a Power-to-X joint project sponsored by the German Federal Ministry for Economic Affairs and Energy (BMWi), a concept for the production of so-called "green methanol" was developed and the economic evaluation determined, considering location-specific conditions. Funding opportunities for a follow-up project, which envisages the construction of a demonstration plant and the use of the "green methanol" produced in this way as a synthetic fuel, are currently being examined.

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

Starch

When it comes to industrial starches, our focus is on establishing gentle and efficient processes and researching innovative, sustainable starch products.

The market for adhesives, textile and paper coating demands cost-effective and highly effective starches. We were able to enhance the production process by significantly cutting energy requirements, resulting in both lower costs and lower CO_2 emissions. The starch products exhibit particularly good solubility and excellent stability.

At the same time, there is a rising tendency to use starches with eco-labels. Newly developed highly modified starch derivatives were launched to serve this market segment.

We developed a new product group based on wheat starch so that we can offer alternatives to conventional starch products. These products have already been successfully launched for various technical applications.

There is a steady trend toward home-compostable bioplastics, which is why we continue to focus research and development on appropriate starch-based product solutions. Another compounder is being used to ensure we are able to answer specific questions and develop custom solutions even faster and more efficiently. The compounds product portfolio was expanded by increasing the starch content and thus the so-called biobased carbon content, while the cost-effectiveness of the process control system was improved to make it more efficient. We successfully completed the TÜV (Technical Inspection Association) certification with regard to home compostability of the newly developed products.

In the area of biodegradable plastics, Südzucker is participating in a Bavarian project in which a practical test is being conducted on home-compostable t-shirt bags. Led by C.A.R.M.E.N. e.V. Straubing, the project maps the entire life cycle of a compostable plastic bag.

Packaging

Packaging changes in the food sector are challenging and require intensive storage tests to confirm the suitability of the materials. Here we are working on new packaging concepts for our retail sugar products that are as plastic-free as possible.

BUSINESS REPORT

Overall summary of business development

Although the group consolidated operating result of € 236 (116) million is a significant improvement, it still falls short of our expectations. The various segments' business performance was also quite mixed; negative overall due to the impact of the Corona pandemic, although not critically.

The sugar segment was able to cut operating losses to € –121 (–236) million in fiscal 2020/21. The cultivation area in 2020 dropped to 343,000 (391,000) ha after four sugar factories were closed following the 2019 campaign. Beet yields per hectare were below average for the third year in a row due to drought, pests and diseases, and sugar production shrank to 3.7 (4.5) million tonnes. We are still not satisfied with the sugar segment's results for the fiscal year just ended.

The special products segment – driven by the BENEO and Freiberger divisions – was able to continue its successful growth overall despite the Corona pandemic. Its operating record result of € 197 (190) million contributed substantially to the consolidated group operating result. The BENEO division benefited from the consumer trend toward healthy eating. Freiberger was able to grow thanks to higher demand for pizza.

The Corona pandemic presented the CropEnergies segment with significant challenges last fiscal year. The segment successfully adjusted production capacity utilization to the widely fluctuating demand volumes caused by on and off mobility restrictions throughout the fiscal year. CropEnergies was always able to meet the spike in demand for the neutral alcohol used in disinfectants. Ethanol production of 1.0 (1.0) million m^3 was about the same as last year. Despite the challenging market environment, CropEnergies generated an operating result of € 107 (104) million, the highest in the company's history.

The Fruit segment's juice division disappointed with further deteriorating margins and sales volumes. Although the fruit preparations division beat last year's result, we are nevertheless aiming to more significantly improve margins here as well. The overall operating result was lower at € 53 (58) million.

Despite the sugar segment's disappointing result, the group's cash flow was up sharply to € 475 (372) million. Return on capital employed (ROCE) reached 3.8 (1.8) %, with a significant increase in consolidated group operating result to € 236 (116) million and a slight decline in capital employed to € 6.2 (6.4) billion.

Overall economic situation and framework

Economic environment and currencies

The Corona pandemic caused the global economy to plummet in 2020. Although global trade conflicts and geopolitical tensions thereby receded into the background in the media, they continued to be an additional burden for businesses. In particular, the continued application and further threat of punitive American tariffs, together with uncertainty surrounding the now completed Brexit, generated reservations and investment restrain, which added to the pressures.

According to the international monetary fund (IMF), the growth rate of world gross domestic product (GDP) slipped into negative figures at –3.3 % (previous year: increase of 2.8 %) compared with the prior year. The EU suffered a sharp decline of –6.6 % (previous year: increase of 1.3 %). The USA recorded a minor decline of –3.5 % (previous year: increase of 2.2 %). The world' s second largest economy, China, on the other hand, achieved growth of 2.3 (6.0) %. Although this represents a significant reduction compared with the high level of the previous year, China was by far the best performer in coping with the impacts of the pandemic.

The impact of the Corona pandemic on world trade also affected the EU. The largest EU economies all recorded sharp declines, for example Germany at –4.9 (0.6) %, France at –8.2 (1.5) % and Italy at –8.9 (0.3) %. The German economy shrank for the first time in 2020 after ten years of consecutive growth. In the UK, the decline was –9.9 (1.4) %.

Expansionary monetary policy continued in the euro zone. The European Central Bank (ECB) held the deposit rate steady at –0.5 % and expanded the so-called Pandemic Emergency Purchase Program (PEPP) by € 500 billion to € 1,850 billion. This caused the euro to gain during the reporting period. By the end of the fiscal year it was quoted at 1.21 (1.10) USD/€. The USD/€ exchange rate was more volatile than usual due to the coronavirus.

After the U.S. Federal Reserve had already cut the funds rate from 2.25 % to a range of 1.50 % to 1.75 % in 2019, the range was lowered to just 0.00 % to 0.25 % in March 2020 ahead of the looming pandemic economic crisis.

Energy and emissions trading

At the start of March 2020 the price of Brent crude was quoted at about 52 US dollars per barrel. It closed at about 64 US dollars per barrel at the end of February 2020. In this context, price developments during the reporting period were marked by increased volatility and expanded trading ranges. Prices varied between 16 US-Dollar per barrel in mid-April 2020 and 67 US-Dollar per barrel in February 2020/21. The price volatility was driven by production swings, ongoing trade conflicts and weaker economic expectations due to the corona pandemic.

In emissions trading, the spot market price for EU allowances (EUA) was around € 23 at the beginning of fiscal 2020/21. On 28 February 2021, the EUA spot market price was € 37. In the interim, prices ranged between € 15 in March 2020 and € 40 in February 2021, with prices averaging € 26 for the fiscal year.

Nutrition policies

To varying degrees, nutrition policies directly impact the market environment for the sugar, special products and fruit segments. Governments are striving to further expand regulations surrounding nutrition.

Nutrition policy projects also play a role within the framework of the EU's Green Deal, currently the key European political initiative. Alongside agricultural sector issues, these are addressed in the so-called farm-to-fork strategy, which aims to complement existing legislation. A comprehensive strategy for nutrition, from production to consumer, was presented in May 2020. It broadly defines the issue of sustainability and includes health protection aspects and thus nutrition policy. The strategy provides the framework for a series of laws that the commission will propose. The scope ranges from specifications on the use of fertilizers and crop protection, plans to combat food waste and food fraud, to rules on food labeling and establishing nutrient profiles with maximum limits for certain ingredients such as fat, salt and sugar.

One of the German EU Council Presidency's objectives in 2020 was to create the conditions for harmonizing extended nutrition labeling. Even though member states have not yet been able to agree on a common approach, we can expect that the topic will continue to be front and center in political discussions at the EU level. In Germany, a national regulation on the use of the so-called Nutri-Score has been in force since November 2020. It gives food manufacturers an opportunity to voluntarily show a Nutri-Score on their packaging, in addition to the nutritional value table. The aim is to enable consumers to easily compare at a glance the nutritional value of foods in a specific product group.

Additionally, a number of initiatives are aimed at changing recipes for foods. Germany has a national reduction and innovation strategy for sugar, fats and salt, 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. The German Federal Ministry of Food and Agriculture (BMEL) presented its first interim report on this strategy in December 2020. It stresses that from the ministry's point of view, there is already noticeable progress and there is a high degree of implementation of the methods. Even so, it still sees a need to act in some areas.

Over the past few years, various EU countries have raised value added taxes on certain sugary beverages or applied special manufacturer levies. Many countries around the world also introduced sugar taxes.

Südzucker closely monitors the many nutrition policy developments and takes them into consideration when making business decisions.

Group consolidated earnings

Business performance - Group

		2020/21	2019/20	+/– in %
Revenues	€ million	**6,679**	**6,671**	**0.1**
EBITDA	€ million	597	478	24.9
Depreciation on fixed assets and intangible assets	€ million	–361	–362	–0.2
Operating result	€ million	**236**	**116**	**> 100**
Result from restructuring / special items	€ million	–40	–19	> 100
Result from companies consolidated at equity	€ million	–126	–49	> 100
Result from operations	€ million	**70**	**48**	**45.8**
EBITDA margin	%	8.9	7.2	
Operating margin	%	3.5	1.7	
Investments in fixed assets [1]	€ million	285	335	–15.0
Investments in financial assets / acquisitions	€ million	15	13	15.9
Total investments	€ million	**300**	**348**	**–13.9**
Shares in companies consolidated at equity	€ million	165	313	–47.4
Capital employed	€ million	6,222	6,388	–2.6
Return on capital employed	%	3.8	1.8	
Employees		**17,876**	**19,188**	**–6.8**

[1] Including intangible assets.

TABLE 019

Revenues, EBITDA and operating result

In fiscal 2020/21, the group's consolidated revenues totaled € 6,679 (6,671) million, matching the previous year's level. While the CropEnergies and fruit segments' revenues dropped moderately and slightly, respectively, and the sugar segment's revenues remained at the previous year's level, the special products segment's revenues rose slightly.

Group EBITDA rose significantly by € 119 million to € 597 (478) million.

The group' s consolidated operating result climbed sharply to € 236 (116) million, due in particular to the reduction in the sugar segment's loss. In the fruit segment, a moderate decline in operating result was more than offset by slight result improvements in the special products and CropEnergies segments.

Capital employed and return on capital employed (ROCE)

Capital employed fell € 166 million to € 6,222 (6,388) million, mainly because of lower inventories and fixed assets. The significantly improved operating result of € 236 (116) million drove ROCE to 3.8 (1.8) %.

Income statement

€ million	2020/21	2019/20	+/− in %
Revenues	**6,679**	**6,671**	**0.1**
Operating result	236	116	> 100
Result from restructuring / special items	−40	−19	> 100
Result from companies consolidated at equity	−126	−49	> 100
Result from operations	**70**	**48**	**45.8**
Financial result	−49	−39	25.6
Earnings before income taxes	**21**	**9**	**> 100**
Taxes on income	−57	−64	−10.7
Net earnings	**−36**	**−55**	**−34.7**
of which attributable to Südzucker AG shareholders	−107	−122	−12.5
of which attributable to hybrid capital	13	13	−3.1
of which attributable to other non-controlling interests	58	54	7.6
Earnings per share (€)	**−0.52**	**−0.60**	**−13.3**

TABLE 020

Result from operations

The result from operations of € 70 (48) million for fiscal 2020/21 comprises the operating result of € 236 (116) million, the result from restructuring and special items of € −40 (−19) million and the result from companies consolidated at equity of € −126 (−49) million.

Result from restructuring and special items

The result from restructuring and special items of € −40 (−19) million mainly includes expenses from the follow-up effects of the sugar segment's plant closures decided at the end of the 2018/19 financial year and from the adjustment of administrative structures. Also included are expenses related to regional restructuring from ongoing cost savings programs in the fruit segment. Among other things, the previous year's amount arose from the sugar segment and related to Südzucker's offer to beet growers at the Warburg and Brottewitz plants to return their delivery rights. Both plants were closed subsequent to the 2019 campaign.

Result from companies consolidated at equity

The result from companies consolidated at equity in the sugar and special products segments amounted to € −126 (−49) million and mainly related to the charges from the stake in ED&F Man Holdings Limited, London, UK.

Financial result

The financial result totaled to € −49 (−39) million including net interest result of € −25 (−28) million and result from other financing activities of € −24 (−11) million. The downturn in the result from other financial activities was attributable to the complete write-down of a minority interest in a French sugar factory, subsequently sold.

Taxes on income

Earnings before taxes of € 21 (9) million resulted in taxes on income of € −57 (−64) million. They relate mainly to the taxation of the positive result contributions of the non-sugar segments, whereas deferred taxes were not capitalized for the losses in the sugar segment.

Net loss / net earnings

Of the net loss of € −36 (−55) million, € −107 (−122) million were allocated to Südzucker AG shareholders, € 13 (13) million each to hybrid bondholders and € 58 (54) million to other non-controlling interests, which mainly relate to the co-owners of AGRANA Group and CropEnergies Group.

Earnings per share

Earnings per share came in at € −0.52 (−0.60). The calculation is based on the time-weighted average of 204.2 (204.2) million shares outstanding.

Group financial position

Cash flow statement

€ million	2020/21	2019/20	+/– in %
Cash flow	**475**	**372**	**27.7**
Increase (–) / decrease (+) in working capital	**5**	**– 217**	**–**
Gains (–) / losses (+) from the disposal of non-current assets / securities	0	0	–
Net cash flow from operating activities	**481**	**155**	**> 100**
Total investments in fixed assets [1]	– 285	– 335	– 15.0
Investments in financial assets/acquisitions	– 15	– 13	15.9
Total investments	**– 300**	**– 348**	**– 13.9**
Other cash flows from investing activities	98	72	36.1
Cash flow from investing activities	**– 202**	**– 276**	**– 26.8**
Repayment (–) / refund (+) of financial liabilities	– 174	272	–
Increases in stakes held in subsidiaries (–)	– 1	0	–
Dividends paid	– 97	– 102	– 4.6
Cash flow from financing activities	**– 272**	**170**	**–**
Other change in cash and cash equivalents	– 7	1	–
Decrease (–) / Increase (+) in cash and cash equivalents	**0**	**50**	**– 100.0**
Cash and cash equivalents at the beginning of the period	197	148	33.6
Cash and cash equivalents at the end of the period	**198**	**197**	**0.1**

[1] Including intangible assets.

TABLE 021

Cash flow

Cash flow reached € 475 million compared to € 372 million last year. The cash flow as a percentage of sales revenues climbed to 7.1 (5.6) %.

Working capital

The cash inflow from the decreased working capital totaled € 5 million following a cash outflow from the increased working capital of € –217 million the year prior and was mainly attributable to lower inventories in the sugar segment and declined trade receivables.

Investments in fixed assets

Investments in fixed assets (including intangible assets) totaled € 285 (335) million. In the sugar segment, investments of € 122 (103) million were mainly allocated to replacement investments, primarily in the area of electrical installations and automation and compliance with legal or regulatory requirements. The special products segment invested € 110 (150) million, most of which were related to the expansion and optimization of plant capacities by BENEO and Freiberger. The year-on-year decline is largely attributable to the completion of major projects in the starch division in recent years, such as the wheat starch plant in Pischelsdorf, Austria. The CropEnergies segment invested € 29 (30) million to replace production facilities, increase their capacities or improve their efficiency. In the fruit segment, investments of € 24 (52) million were mainly for replacement and maintenance, and capacity expansion in the fruit preparations division.

Investments in financial assets

Investments in financial assets amounting to € 15 (13) million mainly related to the acquisition of Marroquin Organic International Inc., Santa Cruz, USA, from AGRANA Stärke GmbH. The trading company specialized in organic products serves B2B customers and purchases a large part of its product portfolio from AGRANA Stärke. Last year, investments in financial assets mainly related to the acquisition of the 50 % joint venture Beta Pura GmbH, Vienna, Austria, which started production in August 2020 and the increase in the stake of Collaborative Packing Solutions [Pty] Ltd, Johannesburg, South Africa from 40 to 75 %.

Profit distribution

Profit distributions throughout the group in the fiscal year just ended totaled € 97 (102) million and included € 41 (41) million paid out to Südzucker AG's shareholders and € 56 (61) million to other shareholders.

Development of net financial debt

The cash inflow from operating activities of € 481 million includes cash flow of € 475 million and the cash inflow of € 5 million from the reduction in working capital. This was used to finance total investments of € 300 million and profit distributions of € 97 million, and to reduce net financial debt by € 59 million from € 1,570 million as of 29 February 2020 to € 1,511 million as of 28 February 2021.

Group assets

Balance sheet

€ million	28 February 2021	29 February 2020	+/– in %
Assets			
Intangible assets	947	1,001	–5.4
Fixed assets	2,983	3,061	–2.5
Remaining assets	279	442	–36.9
Non-current assets	**4,209**	**4,504**	**–6.5**
Inventories	2,134	2,176	–1.9
Trade receivables	948	978	–3.0
Remaining assets	710	757	–6.2
Current assets	**3,792**	**3,911**	**–3.0**
Total assets	**8,001**	**8,415**	**–4.9**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	2,028	2,127	–4.7
Hybrid capital	654	654	0.0
Other non-controlling interests	882	892	–1.1
Total equity	**3,564**	**3,673**	**–3.0**
Provisions for pensions and similar obligations	881	1,002	–12.1
Financial liabilities	1,438	1,429	0.6
Remaining liabilities	364	411	–11.4
Non-current liabilities	**2,683**	**2,842**	**–5.6**
Financial liabilities	476	625	–23.9
Trade payables	824	818	0.7
Remaining liabilities	454	457	–0.7
Current liabilities	**1,754**	**1,900**	**–7.6**
Total liabilities and equity	**8,001**	**8,415**	**–4.9**
Net financial debt	1,511	1,570	–3.8
Equity ratio in %	44.5	43.6	
Net financial debt as % of equity (gearing)	42.4	42.7	

TABLE 022

Non-current assets

Non-current assets fell € 295 million to € 4,209 (4,504) million. The carrying amount of fixed assets decreased by € 78 million to € 2,983 (3,061) million as investments were lower than current depreciation. The € 163 million decline in other assets to € 279 (442) million was primarily due to the lower carrying amount of shares in companies consolidated at equity resulting from the recognized prorated share losses of ED&F Man Holdings Ltd., London, UK, in fiscal 2019/20 and the partial impairment of this investment. The minority interest in a French sugar factory was already completely written down in the course of the fiscal year and subsequently divested.

Current assets

Current assets declined € 119 million to € 3,792 (3,911) million. Inventories recorded a decrease of € 42 million to € 2,134 (2,176) million resulting primarily from the sugar segment. Trade receivables were € 30 million lower than a year earlier at € 948 (978) million. Other assets decreased by € 47 million to € 710 (757) million, mainly due to the reduction in securities.

Shareholders' equity

Shareholders' equity fell to € 3,564 (3,673) million. Total assets were down € 414 million to € 8,001 (8,415) million, leaving the equity ratio unchanged at 44 %. Südzucker AG shareholders' equity dropped to € 2,028 (2,127) million, which was largely due to the pro rata net loss for the year and the dividend payment. Other non-controlling interests decreased to € 882 (892) million.

Non-current liabilities

Non-current liabilities were down € 159 million to € 2,683 (2,842) million. This decrease was primarily driven by the € 121 million reduction in provisions for pensions and similar obligations to € 881 (1,002) million as a result of the increase of the applicable discount rate to 1.45 (1.00) % compared with the last balance sheet date and the adjustment of other measurement parameters. Non-current financial liabilities were on a par with the previous year at € 1,438 (1,429) million. Other liabilities decreased to € 364 (411) million, in particular due to the reduction in other provisions.

Current liabilities

Current liabilities recorded a decrease of € 146 million to € 1,754 (1,900) million. Current financial liabilities dropped € 149 million to € 476 (625) million, mainly due to the repayment of current liabilities to banks. Trade payables were on a par with the previous year at € 824 (818) million and included liabilities toward beet farmers of € 217 (212) million. Other debt, consisting of other provisions, taxes owed and other liabilities, was also almost unchanged in total at € 454 (457) million.

Net financial debt

Net financial debt was reduced € 59 million to € 1,511 (1,570) million as of 28 February 2021. The ratio of net financial debt to equity was 42.4 (42.7) %.

The group's long-term financing requirements as of 28 February 2021 were covered by € 796 (795) million in bonds, € 181 (207) million in promissory notes and € 367 (330) million in bank loans. The group's short term financing needs as of the balance sheet date were covered by bank loans of € 116 (266) million and Commercial Paper valued at € 330 (330) million. In addition, lease liabilities amounted to € 124 (126) million. Cash and cash equivalents together with investments in securities totaled € 403 (485) million. As of the record date, Südzucker Group had access to adequate liquidity reserves of € 1.4 (1.2) billion, consisting of non-utilized syndicated credit lines and other bilateral bank credit lines.

Value added, capital structure and dividend

Value added

		2020/21	2019/20	2018/19	2017/18	2016/17
Operating result	€ million	**236**	**116**	**27**	**445**	**426**
Capital employed	€ million	6,222	6,388	6,072	6,650	6,012
Return on capital employed (ROCE)	%	3.8	1.8	0.4	6.7	7.1

TABLE 023

Capital employed was reported at € 6,222 (6,388) million, € 166 million lower than last year, mainly due to lower inventories and the decrease in fixed assets. The operating result of € 236 (116) million drove return on capital employed (ROCE) from 1.8 to 3.8 % in fiscal 2020/21.

Capital structure

		2020/21	2019/20	2018/19	2017/18	2016/17
Debt factor						
Net financial debt	€ million	1,511	1,570	1,129	843	413
Cash flow	€ million	475	372	377	693	634
Net financial debt to cash flow ratio		3.2	4.2	3.0	1.2	0.7
Debt equity ratio						
Net financial debt	€ million	1,511	1,570	1,129	843	413
Shareholders' equity	€ million	3,564	3,673	4,018	5,024	4,888
Net financial debt as % of equity (gearing)	%	42.4	42.7	28.1	16.8	8.4
Equity ratio						
Shareholders' equity	€ million	3,564	3,673	4,018	5,024	4,888
Total assets	€ million	8,001	8,415	8,188	9,334	8,736
Equity ratio	%	44.5	43.6	49.1	53.8	56.0

TABLE 024

The debt ratio (ratio of net financial debt to cash flow) as of the balance sheet date improved significantly to 3.2 (4.2). Net financial debt as of 28 February 2021 was 42.4 (42.7) % of shareholder's equity of € 3,564 (3,673) million. The equity ratio on the balance sheet date rose slightly to 44.5 (43.6) % as total assets fell to € 8,001 (8,415) million.

The dividend policy continues to be based on continuity and sustainable results development. Given the group's current results and liability situation, the executive board has decided to recommend again a dividend of € 0.20 (0.20) per share for fiscal 2020/21.

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

Dividend

		2020/21	2019/20	2018/19	2017/18	2016/17
Operating result	€ million	236	116	27	445	426
Cash flow	€ million	475	372	377	693	634
Earnings per share	€	−0.52	−0.60	−4.14	1.00	1.05
Dividend per share [1]	€	0.20	0.20	0.20	0.45	0.45
Payout ratio	%	–	–	–	45.0	42.9

[1] 2020/21: Proposal.

TABLE 025

Based on the 204.2 million shares in circulation, the total dividend distribution will be € 41 (41) million, as in the previous year. The dividend recommendation is subject to approval by the supervisory board on 19 May 2021 and shareholders at the annual general meeting on 15 July 2021.

SUGAR SEGMENT

Production locations

23 Sugar factories
2 Refineries

Customers

Food industry, retailers, agriculture

Markets

Europe and the World

Raw materials

Sugar beets, cane raw sugar

Products

Sugar, sugar specialities, animal feed

Markets

World sugar market

In its March 2021 estimate of the world sugar balance for marketing year 2019/20 just ended (1 October – 30 September), market analyst IHS Markit (formerly F.O. Licht) projects a production deficit of about 3.6 million tonnes. The effects of the Corona pandemic had a significantly lower impact on the production deficit than was originally expected. On the one hand, countries, Brazil especially, expanded their sugar production significantly at the expense of ethanol production due to the drop in crude oil prices at the beginning of the Corona pandemic; on the other hand, the Corona pandemic weighed on world sugar consumption due to the restrictions on social life. Nevertheless, the production deficit led to lower sugar inventories.

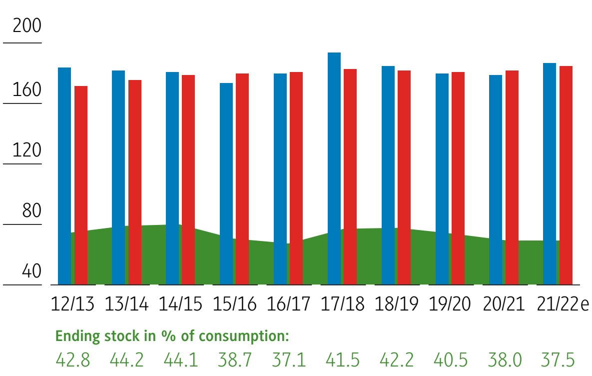
IHS Markit now expects a larger deficit of 4.3 million tonnes for the current 2020/21 marketing year. Rising production expectations in India and the United States do not fully compensate weaker crop expectations in the EU, Russia and Brazil. The slight overall decline in world sugar production expected as a result together with a slight increase in world sugar consumption will further reduce inventories.

For the coming 2021/22 marketing year, IHS Markit forecasts an almost even world sugar balance despite increased world sugar production, due in particular to significant volumes in Thailand, Brazil and the EU, as world sugar consumption continues to grow.

In 2020, the world market price for white sugar had risen to as high as 413 €/t by mid-February due to excellent fundamentals. After that, crude oil prices and the currencies of emerging countries like Brazil dropped due to the Corona driven world economy downturn. Both factors exerted enormous pressure on the world market price for sugar and within a few weeks it had dropped to around 300 €/t, reaching a low of 283 €/t at the end of April. After that, world market prices fluctuated between 290 and 360 €/t for the remainder of the 2020 calendar year. At the beginning of calendar year 2021, world market prices in US dollars reached a four-year high

Global sugar balance

Million of tonnes raw value

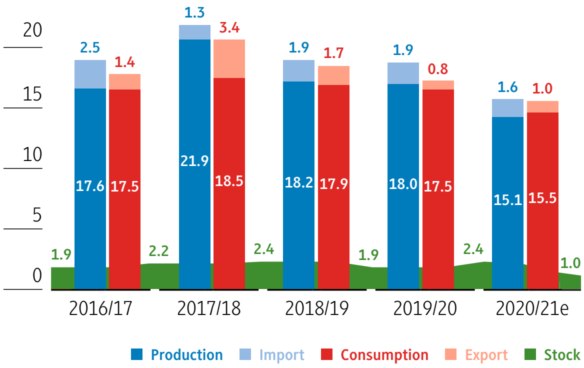


Source: IHS Markit, March 2021

DIAGRAM 012

EU sugar balance

Million of tonnes white sugar value



Source: EU commission, AGRI C4, EU sugar balance estimate, 25 February 2021.

DIAGRAM 013

and – despite the weak US dollar – at times traded at around € 400/t in February 2021. At the end of the reporting period, the world market price was 375 €/t.

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

EU sugar market

During the past 2019/20 sugar marketing year (1 October to 30 September), sugar production (EU including UK; including isoglucose) fell further to 18.0 (18.2) million tonnes due to smaller cultivation areas and renewed below-average sugar yields caused by drought. As a result, sugar again had to be imported to cover EU demand.

For the current 2020/21 sugar marketing year, the EU Commission is currently forecasting a further decline in beet sugar production (EU excluding UK; including isoglucose) of 1.9 million tonnes to 15.0 (16.8) million tonnes. This was due in part to a reduced cultivation area of around 3 % along with weak yields in the main growing regions because of difficult weather conditions and increased infestation by the beet yellowing virus transmitted by aphids, especially in France. Production thus fell more than demand. So overall, the EU will remain a net importer of sugar for the third time in a row in sugar marketing year 2020/21, despite structurally driven lower sugar volumes for several years and, most recently, also corona-related reductions.

The EU price for sugar (food and non-food, ex factory) was quoted at 332 €/t at the beginning of the last 2019/20 sugar marketing year in October 2019 and rose over the course of the sugar marketing year to about 380 €/t. The EU price remains at about this level at the beginning of the new 2020/21 sugar marketing year. The last published number in January 2021 was 388 €/t, but there are significant regional price differences across the deficit and surplus regions within the EU.

Sugar markets

The largest markets for sugar are the beverage industry (soft drinks and alcoholic beverages), followed by the dairy industry and baked goods manufacturers. They represent about 60 % of total sugar processing industry demand in Western Europe in 2020, and as much as 66 % in Eastern Europe.

Many food producers are working on reducing the percentage of sugar in their products. For example, sugar use in Western Europe declined by a cumulative 5 %[1] between 2015 and 2020. The soft drinks market decline of 17 % was particularly steep. It is our view that the processing industry's tendency to

Global market sugar prices

1 March 2018 to 31 March 2021,
London, nearest forward trading month

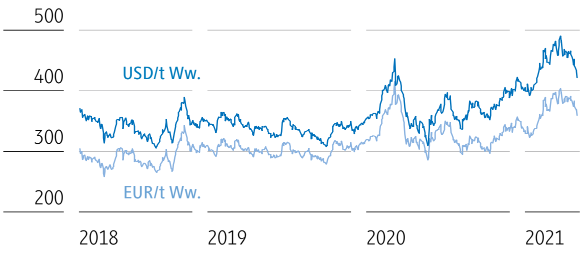


DIAGRAM 014

World sugar market – Top 5

Million of tonnes raw value	2017/18	2018/19	2019/20	2020/21	2021/22e
Top 5 producers					
Brazil	33.3	29.8	41.7	39.0	40.5
India	35.3	35.8	29.8	32.8	33.5
EU [1]	20.2	16.9	16.6	14.8	16.2
China	11.2	11.7	11.3	11.7	11.7
Thailand	15.0	14.9	8.5	7.7	10.5
Top 5 consumers					
India	27.6	27.7	27.9	28.3	29.0
EU [1]	17.6	17.0	16.7	16.4	16.6
China	16.1	16.1	15.7	16.1	16.6
Brazil	11.3	11.3	11.3	11.4	11.6
USA	11.1	11.1	11.3	11.1	11.2
Top 5 net exporters					
Brazil	23.2	18.5	26.6	30.2	29.3
Thailand	9.7	10.1	8.6	5.1	7.1
India	0.2	4.2	6.1	5.3	4.3
Australia	3.5	3.5	3.3	3.4	3.3
Guatemala	1.8	1.9	1.9	1.7	1.8
Top 5 net importers [2]					
Indonesia	5.0	5.1	6.2	4.3	5.9
China	4.4	3.4	4.3	5.6	5.2
USA	2.9	2.7	3.6	2.8	2.8
Bangladesh	2.1	2.4	2.5	2.5	2.6
Algeria	1.7	1.8	1.9	2.0	2.0

Source: IHS Markit, World sugar balance estimate, March 2021.
[1] EU figures exclude the United Kingdom.
[2] Sugar consumed in the country without refining for third countries.

TABLE 026

[1] Euromonitor International, Sugar Consumption Europe 2020.

reduce the percentage of sugar used will continue and likely even accelerate (→ food policies).

EU-wide lockdowns and the associated actions and rules of conduct have a major impact on consumer behavior and thus on sugar volumes. Cancellations of major events, closures of bars, restaurants and cafés, and the high percentage of people working from home have caused sugar volumes to decline, particularly in the soft drinks and convenience product categories. Out-of-home consumption has ground to a halt and so have volumes in the so-called HORECA sector (hotels, restaurants, catering).

For example, total retail sugar volumes decreased annually between 2016 and 2019; by 2.8 % in Germany, 3.4 % in Poland, 3.8 % in France, and 3.5 % in Belgium[1]. In contrast, retail sales rose around 2 % in 2020. This can be explained mainly by the increase in sugar sales for immediate household consumption. After the November 2020 lockdown, there was some minor temporary hoarding, but volumes returned to normal just as quickly. However, retail trade volumes are expected to resume their decline in the next few years.

Animal feed and molasses markets

Global molasses production is expected to increase to 65 (60) million tonnes in 2020/21. However, this global trend has no impact on the EU, where a decline to 3.00 (3.34) million tonnes is expected due to harvest factors. Dry pulp production in the EU is also forecast to decline to 2.78 (2.97) million tonnes.

According to the EU mixed feed industry's umbrella organization, mixed feed production is expected to decline 2.2 % to 161 million tonnes in 2020. This development is also related to the Corona pandemic and the associated government actions. As both molasses and dried pulp production are declining in the EU, the market appears stable despite lower consumption.

Legal and political environment

Word market / WTO

The Indian government exported about 4 million tonnes of heavily subsidized sugar in sugar marketing year 2018/19 and about 6 million tonnes in sugar marketing year 2019/20. Australia, Brazil and Guatemala filed legal complaints. At the meeting of the WTO Dispute Settlement Body, the three complaints (panels) against this practice were upheld. The EU Commission and twelve other WTO members are only participating as third parties at the panel. Australia, Brazil and Guatemala now have demonstrated that India did in fact fail to meet its WTO agreement obligations. Publication of the panel reports was postponed to Q2 2021 due to procedural difficulties. The further course of the proceedings in an additional, second instance depends to a large extent on whether or not the United States abandons its resistance to a pending new composition of the WTO arbitration tribunals.

Free trade agreements

The EU is negotiating potential free trade agreements with various countries, such as Australia, and / or trade blocs. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice – additional sugar volumes could in future be imported into the EU at preferential tariff rate.

It is becoming increasingly unlikely that the Mercosur agreement will be ratified after the German Council Presidency has now too criticized slash and burn activities in the Amazon region.

EU sugar market international competitive position

The EU has one of the world's least regulated sugar markets. In contrast to other major sugar producing countries, sugar exports are not subsidized. The EU Commission does not take strong enough action against this unfair competition and additional import concessions or imports that circumvent country of origin rules.

Continued coupled direct payments in the European domestic sugar market

Coupled premiums for sugar beets continue to be paid in 11 of 19 EU countries that cultivate beets, without any regional differentiation. As a result, unfair competitive practices continue to exist within the domestic European sugar market, putting competitive cultivating regions at a disadvantage. These coupled subsidies for sugar beets shall continue to be paid in the new funding period in accordance with a Commission recommendation.

[1] Nielsen.

EU agricultural policy reform

In the fall of 2020, the 27 member states reached agreement on reforming the common European agricultural policy (CAP). The German Council Presidency has thus achieved one of its key goals. The EU commission, the EU Parliament and the EU Council of ministers are currently trilaterally discussing an agreement on implementation regulations. Parliament is scheduled to vote on the matter in June 2021.

Statutory restrictions and bans affecting plant protection in the EU

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

The situation with neonicotinoids relating to cultivation in 2020 remained unchanged. Special approvals for continued use are still in effect in 13 of 19 EU countries. In Germany, the ban already came into force in cultivation years 2019 and 2020, so that farmers have to spray the entire sugar beet area from one to several times in order to protect them from insects and viral leaf diseases. Virus infestations in France and the UK resulted in yield losses of about thirty percent during the 2020 season. As a result, French and British legislators now also reacted and approved the use of neonicotinoids there for a limited period in 2021 under strict conditions. In Germany, emergency approvals were granted in mid-December 2020 for specific cultivation areas under strict conditions. The respective seed may be used on about one-third of the cultivation area in 2021. The strict ban on the use of neonicotinoids thus now only applies in the Netherlands, Sweden and Italy.

Brexit

The UK's exit from the EU on 31 January 2020 was followed by a transitional period ending in 31 December 2020, during which time the trading arrangements in place until then were maintained. At the end of December 2020, the EU reached an agreement on trade with the UK. Despite this agreement, it must be assumed that imports of sugar from the EU to the UK will decline. In the past, the main European producing countries had exported between 300,000 and 400,000 tonnes of sugar to the UK.

Business performance

Business performance – Sugar segment

		2020/21	2019/20	+/– in %
Revenues	€ million	**2,252**	**2,258**	**–0.2**
EBITDA	€ million	32	–75	–
Depreciation on fixed assets and intangible assets	€ million	–153	–161	–5.0
Operating result	€ million	**–121**	**–236**	**–49.0**
Result from restructuring / special items	€ million	–30	–17	73.7
Result from companies consolidated at equity	€ million	–145	–66	>100
Result from operations	€ million	**–296**	**–319**	**–7.2**
EBITDA margin	%	1.4	–3.3	
Operating margin	%	–5.3	–10.4	
Investments in fixed assets [1]	€ million	122	103	17.1
Investments in financial assets / acquisitions	€ million	3	10	–80.2
Total investments	€ million	**125**	**113**	**8.5**
Shares in companies consolidated at equity	€ million	109	252	–56.7
Capital employed	€ million	2,685	2,815	–4.6
Return on capital employed	%	–4.5	–8.4	
Employees		**6,141**	**6,597**	**–6.9**

[1] Including intangible assets.

TABLE 027

Revenues and operating result

The sugar segment reported revenues of € 2,252 (2,258) million, comparable to last year. Sugar sales revenues were higher but volumes were substantially lower, due in part to reduced sugar production during the 2019 and 2020 campaigns. In 2019, sugar production was down due to less cultivation and lower yields. In 2020, sugar production fell again following the factory shutdowns after the 2019 campaign, with beet yields again weak. In addition, lower demand from the sugar processing industry due to coronavirus containment measures had a significantly greater impact than the short-term positive effects of hoarding in the retail sector at the beginning of the fiscal year.

The segment was able to cut its operating loss substantially, to € –121 (–236) million. The improvement was driven mainly by higher sugar sales revenues due to price increases at the beginning of the 2019/20 and 2020/21 sugar marketing years, which more than offset lower sales volumes, higher production costs and lower capacity utilization as a result of the smaller cultivation area and below-average beet yields during the 2020 campaign.

Result from restructuring and special items

The result from restructuring and special items of € –30 (–17) million was especially for additional expenses related to the factories the company resolved to close at the end of fiscal 2018/19 and charges related to the adjustment of the administrative organizations. Last year the expenses included the offer to the Warburg and Brottewitz factory's beet farmers to return their delivery rights. Both factories were closed after the 2019 campaign.

Result from companies consolidated at equity

The sugar segment's result for companies consolidated at equity was € –145 (–66) million and relates primarily to ED&F Man Holdings Limited, London, UK, in which Südzucker holds an interest of about 35 %. Although ED&F Man continued to be a profitable trading company in the fiscal year ending September 2020, charges related to the strategic realignment delays caused by the coronavirus led to a net loss for the year.

The result from companies consolidated at equity comprises especially the net loss for the year attributable to Südzucker and the complete write-off of the goodwill included in the shares of companies consolidated at equity. The carrying amount of the shares of ED&F Man of € 224 million as of 29 February 2020 thus dropped to € 82 million as of 28 February 2021.

In September 2020, ED&F Man was able to secure a three-year extension to its existing financing and thus gain the time required for its strategic realignment.

However, due to the continued negative impact on earnings from industrial holdings, the brokerage business's increased difficulties due to the low interest rate situation, higher refinancing costs and the influence of the Corona pandemic, we expect the ED&F Man participation to continue to have a negative impact on our at equity result in the upcoming quarters.

Cultivation and production

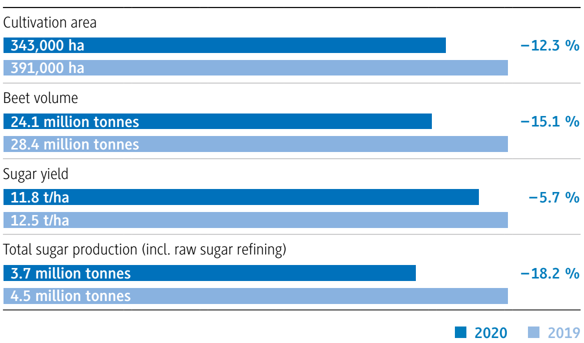


DIAGRAM 015

Sugar production by region

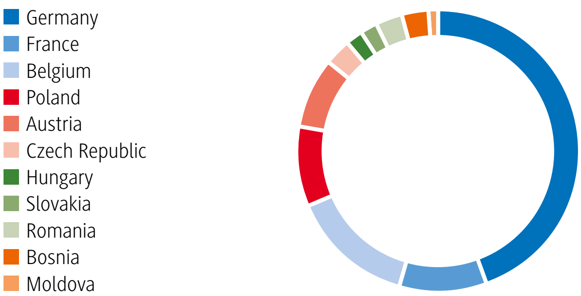


DIAGRAM 016

Capital employed and return on capital employed

Capital employed fell € 130 million to € 2,685 (2,815) million, mainly due to lower inventories. Based on an operating result of € −121 (−236) million, ROCE was negative at −4.5 (−8.4) % in fiscal 2020/21.

Investments in fixed assets

The sugar segment invested € 122 (103) million. Replacement investments included, for example, the restoration of the roof of a high-bay warehouse and cooling crystallizer refurbishment. Process control technology replacement and electrical control room upgrades continued at numerous plants. Infrastructure improvement investments included a new bagging plant for polyurethane bags, expanded bulk loading, construction of a truck loading station and a new pallet storage hall. The segment invested in wastewater treatment plants and thus environmental protection at three sites. Investments were also directed toward meeting legal or regulatory requirements. Investments in a diffusion crystallizer and another crystallizer boosted process stability. The boiler house is in progress, which will make it possible to convert the energy supply from coal to gas. The boiler efficiency was increased by installing a more efficient economizer, which should reduce the primary energy demand as well as CO_2 emissions.

Raw materials and production

Cultivation area

The total beet cultivation area at Südzucker Group was down a further 12.3 % in 2020 from the year prior to about 343,000 (391,000) ha due to the closure of four sugar factories and the difficult market situation. In Austria and Poland, nearly 10,500 ha had to be replanted with other crops due to spring drought, frost, wind erosion and beet root weevil.

Organic beets were planted on about 2,600 (3,700) ha. The cultivation area for organic beets in Germany was down slightly due to the closure of the Warburg plant and consolidation to one processing location. The organic cultivation area in Austria has been significantly reduced, not least due to massive damage by the beet root weevil.

Planting and beet development

The main seeding began around 20 March 2020, on average about a week later than last year. Seeding conditions were good to excellent and the work was completed quickly thanks to dry weather. However, subsequent cooler nighttime temperatures with frosts as low as −8 °C and widespread drought until the end of April led to widely varying plant stocks and beet emergence. May was also too dry in many places. Starting early June, rainfall led to good plant development. At the same time, pressure from animal pests was remarkably high. Over the course of the year, lack of precipitation in France especially, but also in Belgium and in some regions of Germany, together with a heavy infestation of the beet yellowing virus led to slow and in some cases extremely poor beet growth. The growing regions in Austria and Eastern European countries enjoyed sufficient precipitation, so beet development there was particularly good.

2020 campaign

At the beginning of the campaign in early September 2020, harvest conditions were generally good. Very heavy rain in Germany, Belgium and the Eastern European growing regions from mid to late September led to some interruptions of the beet harvest. Despite these challenges, we were mostly able to ensure adequate beet supplies for the factories, even given the Corona pandemic conditions. Further heavy rainfall in the Eastern European regions throughout the campaign boosted beet yields, but at the same time reduced sugar content there significantly.

The campaign began at Südzucker Polska's Cerekiew plant on 4 September 2020, and beet processing had started at all Südzucker Group plants by the beginning of October. The average campaign duration was 108 (114) days. With the exception of a technical problem at the Wabern factory, which shut down processing for several days, the campaign was largely trouble-free at all factories. Wabern was the last factory to finish the campaign on 6 February 2021, after 140 processing days.

Yields

The widely varying regional growing conditions at Südzucker Group during the spring and summer are reflected in the respective yields. Overall, the smaller area combined with below-average beet yields of 70.3 (72.6) t/ha resulted in a total beet volume of 24.1 (28.4) million tonnes. Due to a below-average sugar content of 16.8 (17.2) %, the sugar yield came in at 11.8 (12.5) t/ha.

Sugar, animal feed and molasses production

The group's overall sugar production fell to 3.7 (4.5) million tonnes. The volume of organic sugar produced at the Rain and Tulln factories also declined due to the smaller cultivation area. The volume of feed and molasses was the same as last year at 1.3 (1.3) million tonnes.

Volume

Sugar

The group's overall consolidated volume fell 12.6 % to 4.2 (4.8) million tonnes in fiscal 2020/21.

The EU companies had to contend with a total volume reduction of about 13.4 % to 3.9 (4.5) million tonnes. The largest share of this was for EU volumes, which fell 11.4 % to 3.6 (4.1) million tonnes.

Our country subsidiaries in Germany, Belgium and Poland were able to expand their market shares, particularly in the brand name sector. We are the market leader in Germany, Belgium, Austria and Hungary. In France, Saint Louis Sucre's market share was down slightly, but revenues were up.

Volume development was driven by the Corona pandemic. While retail volumes were slightly higher than last year over the course of the year as a whole, industrial sales fell 15.1 %, due especially to lockdowns and the associated complete elimination of out-of-home eating. The southern European countries, Italy, Spain and Greece were particularly hard hit. The weak harvest in the 2020/21 campaign was already becoming apparent in the second half of the year, so undelivered volumes were reserved for future EU volumes and exports were not forced. Volumes to non-EU countries were down accordingly, 35 % lower than last year at 253,000 (390,000) tonnes.

Volumes in the Republic of Moldova and the West Balkan companies were down slightly from last year at 332,100 (336,100) million tonnes.

Animal feed and molasses

Demand for sugary byproducts continued to grow. Despite the pandemic and the associated lockdowns in Europe, demand from the mixed feed industry remained stable and rose slightly in the fermentation and alcohol industries.

Demand for molasses pulp remains strong due to its high feed value. Given the trends towards sustainability and local sourcing, mixed feed producers continue to favor molasses pulp or are starting to switch to the product. At the same time, a lower supply of molasses from France and Russia due to local harvest conditions supported prices. Overall, Südzucker's molasses pulp sales volume was lower than in previous years. Organic molasses pulp volume was up significantly from last year and sold well. Pelleting of the product, introduced for the 2019/20 campaign, was increasingly accepted by organic mixed feed producers.

Prices for beet molasses to the fermentation and mixed feed industries as well as the retail sector were higher than last year throughout the group. Contributing to the higher prices was lower availability in the EU, and especially higher cane molasses prices and increasing demand from the fermentation industry. Prices realized for a slightly higher organic molasses volume were excellent.

After successful introduction of our molasses pulp in Morocco, Japan, and Saudi Arabia, we will also export to the People's Republic of China for the first time in the first half of 2021.

SPECIAL PRODUCTS SEGMENT

4 Divisions

BENEO
Freiberger
Starch
PortionPack Europe

29 Production locations

in 13 countries worldwide

~ 6,100

Employees

Markets

Target markets

The special products segment's target markets have grown steadily in the past. In fiscal 2020/21 just ended, the Corona pandemic weighed on some sectors, while others were able to grow.

The increased demand seen in recent years in the European, North American and Asian markets for functional dietary fibers, carbohydrates and rice starch continued. The continuing strong consumer interest in optimizing nutritional intake had a positive impact, whereby the Corona pandemic further strengthened the trend towards healthy eating.

There was strong demand for clean label products and dietary fibers from natural sources. The functional ingredients for animal feed for livestock and pets business also showed strength. On the other hand, the Corona pandemic affected demand for isomalt. Sales were down in the key business channels.

The German frozen pizza market grew overall volume wise, but private label growth was below average. Products with established brands exhibited some growth, but the pace of new brand growth was extraordinary, to which Freiberger's Gangstarella pizza also contributed. Growth rates in both the UK and US markets were in the double digits. The market share for private label sales declined in the United States, but private label proved to be a major growth driver in the UK, also with double digit growth rates.

The Corona pandemic also had a major impact on the starch product market. Saccharification products were under strong market price and volume pressure, and price pressure on native starch was also continuously high. The initially tight market situation for industrial starches due to curtailed paper production by many manufacturers improved over the course of the reporting period. Please refer to the CropEnergies segment chapter for details about developments in the international bioethanol markets and the associated political conditions for bioethanol.

The market situation for portion packs in Europe in fiscal 2020/21 was also significantly affected by the Corona pandemic and the associated restrictions and lockdowns experienced by the main hotel and restaurant customers. The developments could only be countered to a limited extent by increased sales of Corona related products.

Raw material markets

The special products segment converts various agricultural materials as completely as possible into high-quality products for a wide range of applications.

Belgium was able to successfully complete the first campaign with organic chicory for use by the chicory for functional food ingredients area. In Chile, a Corona pandemic induced national lockdown during the chicory harvest caused slight delays. Nevertheless, the harvest was completed and processed without losses. Inulin quality met expectations. Climate change will be a challenge for chicory cultivation in both Chile and Belgium in future.

DIVISION	BENEO	Freiberger	Starch	PortionPack Europe
TARGET MARKETS	Worldwide	Europe, USA	Central and Eastern Europe (mainly Austria and Germany), USA, UAE	Primarily Europe, South Africa
RAW MATERIALS	Beet sugar, rice, chicory root	Flour, milk (cheese), tomato paste, meat/salami	Potatoes, corn, wheat	Finished products (confectionery, pastries, sugar)
MARKET SECTOR	Food, animal feed, pharmaceuticals industries	Food retailers in Europe and North America	Food, paper, textiles, industrial chemicals, pharmaceuticals, cosmetics, petroleum, animal feed industries	Hotels, restaurants, caterers (food service)

TABLE 028

The essential raw materials for producing frozen pizzas are salami, ham and mozzarella. Pork prices were significantly influenced by swine fever and the Corona situation in German slaughterhouses and meat processing plants. Following a short-term sharp price increase in Europe, prices were recently significantly lower. A shortage of mozzarella was addressed by expanding capacities in the European dairy industry, which brought the dairy market back into balance.

EU cereal production will be lower than last year. Quotations on the Paris commodity futures exchange have trended higher since September 2020. Favorable weather conditions during the growing season had a positive impact on potatoes. The CropEnergies segment chapter discusses in detail developments in the international grain markets.

Business performance

Revenues and operating result

Revenues in the special products segment were slightly above the previous year's level at € 2,487 (2,409) million. This increase was driven in particular by the encouraging volume growth in frozen pizzas and the capacity expansions in the starch division that started operations in the course of the previous year.

Operating result also increased slightly to € 197 (190) million. Individual products, such as frozen pizzas in particular, benefited from the measures taken to contain the spread of the coronavirus, while other product groups, such as portion packs, were significantly impacted.

Business performance – Special products segment

		2020/21	2019/20	+/– in %
Revenues	€ million	**2,487**	**2,409**	**3.2**
EBITDA	€ million	323	306	5.4
Depreciation on fixed assets and intangible assets	€ million	–126	–116	8.6
Operating result	€ million	**197**	**190**	**3.4**
Result from restructuring / special items	€ million	1	0	> 100
Result from companies consolidated at equity	€ million	19	17	17.6
Result from operations	€ million	**217**	**207**	**4.7**
EBITDA margin	%	13.0	12.7	
Operating margin	%	7.9	7.9	
Investments in fixed assets [1]	€ million	110	150	–26.2
Investments in financial assets / acquisitions	€ million	11	2	> 100
Total investments	€ million	**121**	**152**	**–19.7**
Shares in companies consolidated at equity	€ million	53	58	–9.4
Capital employed	€ million	2,242	2,267	–1.1
Return on capital employed	%	8.8	8.4	
Employees		**6,131**	**6,017**	**1.9**

[1] Including intangible assets.

TABLE 029

Result from companies consolidated at equity
The result of € 19 (17) million from companies consolidated at equity was mainly attributable to the share of earnings from Hungarian Hungrana Group's starch and ethanol businesses.

Capital employed and return on capital employed (ROCE)
ROCE rose to 8.8 (8.4) % on operating result of € 197 (190) million and a slight decline in capital employed to € 2,242 (2,267) million.

Investments in fixed assets
Investments in the special products segment of € 110 (150) million continued to relate to capacity expansions at all locations in the BENEO division. At the Offstein location, for example, evaporation capacity was increased and the warehouse expanded. In Wijgmaal, Belgium, construction of a third wet starch line for rice proteins was started. In Pemuco, Chile, construction began on a second refining line. Work on energy saving projects continued. Plans call for converting to 100 % renewable energy sources.

In the Freiberger division, the new automated high-bay freezer warehouse in Muggensturm went into operation at the beginning of February 2021. This will avoid 386,000 kilometers of truck trips per year. Various energy-saving features were used in construction; for example, installing very energy-saving materials on the outer shell of the warehouse. Projects at Richelieu in the United States included automating packaging and increasing production depth.

The starch division's new wet derivatives plant in Aschach, Austria, has been fully operational since December 2020. Specialty corn processing will be further expanded at this location. The spray towers at the site in Gmünd, Austria, were overhauled, and optimizations were carried out at the wheat starch plant in Pischelsdorf.

Investments in financial assets
Investments in financial assets of € 11 (2) million mainly relate to the acquisition of Marroquin Organic International Inc., Santa Cruz, USA, by AGRANA Stärke GmbH. Marroquin Organic has been fully consolidated in the consolidated financial statements since the end of the second quarter of 2020/21. The trading house, which specialises in organic products, serves B2B customers and sources a large part of its product portfolio from AGRANA Starch. Last year, the existing investment in the South African portion packs manufacturer Collaborative Packing Solutions [Pty] Ltd, headquartered in Johannesburg, was increased from 40 to 75 %.

Production

We produce a diverse range of functional ingredients for food and pet food with health-promoting effects and food technology benefits using the natural raw materials chicory root, beet sugar, rice and wheat. We make Isomalt, Palatinose™, inulin, oligofructose, as well as rice starch, rice flour, rice protein and wheat protein, at five locations in Belgium, Chile, Germany and Italy. The continued optimistic market assessment and recent solid market and volume performance have encouraged the segment to accelerate capacity expansions in Belgium and Chile, some of which have already been partially completed.

We make refrigerated and frozen products such as classic stone oven and fresh dough pizzas, Alsace pizza and pasta dishes in our refrigerated and frozen product division. In addition, our product range includes high-quality snacks and baguettes as well as dressings and sauces. Here too, we are further expanding our capacities.

Starches, sweeteners, ethanol and byproducts produced from diverse raw materials are used in various technical applications, as well as in the food and animal feed sectors. Starch product production was also again higher than the year prior. The volume of wheat processed to produce wheat starch and bioethanol at the Pischelsdorf location in fiscal 2020/21 was sharply higher than last year, whereas the volume of corn processed at the Aschach and Pischelsdorf sites was lower year over year. The potato starch factory in Gmünd was able to process higher volumes of potatoes than last year, and the Zeitz location boosted production of saccharification products.

We operate six European production locations for portion packs and one facility in South Africa. We produce a broad spectrum of single packages for sugar, sweeteners, honey, herbs, marmalades, cookies, sauces, coffee whitener, instant beverages and various non-food articles to customers' individual specifications at these locations. In fiscal 2020/21, the production range was expanded to include disinfection and hygiene articles such as individually packaged disinfectant wipes and hygiene gel portion packs.

Volume

Volume growth of functional ingredients was solid overall. Dietary fibers are derived from chicory root and have a wide range of uses. Demand has been rising due to their sugar and fat reduction properties. Growing health awareness has also led to strong demand for ingredients with scientifically proven, positive and nutritional effects. In contrast, demand for products for hot retail channels was lower. The American continent continues to be the fastest growing region.

Chilled and frozen product volumes were higher in Europe, both in the core markets Germany and France, as well as the UK and Eastern Europe. Frozen pizza volumes were significantly higher in the United States, while dressings and sauces volumes declined slightly.

The Corona pandemic significantly impacted starch product volumes, with reduced demand for native and modified starches in particular, but also for saccharification products. Nevertheless, volumes of the main products increased overall, although amid high price pressure due to weaker demand.

Volumes for the packaging industry were higher. Demand increased as a result of growth in online retailing, particularly in the fourth quarter of the fiscal year. In contrast, graphic paper volumes are declining.

To grow the existing infant milk formula business, the segment collaborated with customers on a number of new projects and a product was successfully launched in the United States. However, volumes in Asia proved difficult due to global restrictions.

The Corona pandemic and associated restrictions on the hotel and catering industry led to a significant decline in portion pack volumes. This slump in the core business could be mitigated to only a limited extent by quickly adding new products to the portfolio; for example, individually packaged disinfectant wipes.

DIVISION	BENEO	Freiberger	Starch	PortionPack Europe
PRODUCTION	Germany (1), Belgium (2), Italy (1) Chile (1)	Germany (4), UK (1), Austria (1), USA (5)	Germany (1), Austria (3), Romania (1), Hungary (1)	UK (2), Netherlands (2), Spain (1), South Africa (1), Czech Republic (1)
DISTRIBUTION	Europe (3), USA (1), South America (2), India (1), Singapore (1)	Europe (3), UK (2), USA (1)	Europe (6), USA (1)	Europe and South Africa (10)
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)	Native and modified starches, sweeteners, ethanol, high-protein animal feeds, high-protein food products	Portion packs (Food and non-food)
BRANDS	Isomalt, Palatinose™, galenIQ™, Orafti™ Inulin, Orafti™ Oligofruktose	Private labels, Alberto	ActiProt, BioAgenasol, AGENABEE, Südzucker-Starch	Hellma, van Oordt

TABLE 030

CROPENERGIES SEGMENT[1]

4 Production locations
in Europe

~ 1 million m^3
renewable ethanol

600,000 t
food and feed

Markets

Ethanol market

Due to global mobility constraints, global ethanol production was down sharply, to 118 (129) million m^3 in 2020, most of which was for the fuel sector at around 84 (85) %. Fuel-grade ethanol production of 99 (110) million m^3, which corresponds to around 8 % by volume of global gasoline consumption, fell 10 %. The fuel sector is expected to grow again in 2021. The remaining alcohol volume is used as rectified spirit in beverages, cosmetics, pharmaceutical and industrial applications.

The EU-27 and the UK produced less ethanol in 2020 at 7.3 (7.6) million m^3, while ethanol consumption fell to 8.2 (8.5) million m^3. In contrast, net imports were about the same as last year at 0.9 (1.0) million m^3. Fuel-grade ethanol consumption of 5.3 (5.9) million m^3 slightly exceeded production, which came in at 5.0 (5.4) million m^3.

EU Ethanol volume balance[1]

million m^3	2018	2019	2020	2021e
Opening balance	**0.8**	**0.8**	**0.9**	**0.9**
Production	7.9	7.6	7.3	7.6
thereof fuel ethanol	5.4	5.4	5.0	5.3
Consumption	−8.3	−8.5	−8.2	−8.5
thereof fuel ethanol	−5.7	−5.9	−5.3	−5.6
Net import	0.4	1.0	0.9	0.9
Closing balance	**0.8**	**0.9**	**0.9**	**0.9**

Source: IHS Markit, data estimated of EU biothanol volume balance, April 2021.
[1] All figures exclude the United Kingdom.

TABLE 031

The drop in fuel consumption driven by mobility restrictions was partially offset by higher blending targets for alternative, low-CO_2 fuels. In some member states ethanol consumption rose in 2020 despite the overall decline in gasoline sales, due in part to the introduction of E10. Given the ongoing mobility constraints, fuel-grade ethanol consumption is expected to rise only slightly in 2021, to 5.6 million m^3. There was significant increase in the consumption of ethanol for industrial applications, which came in at 2.9 (2.6) million m^3 in 2020, driven mainly by higher demand for ethanol as a basic ingredient for disinfectants. Demand for industrial applications is also expected to increase in 2021, to 2.9 (2.9) million m^3.

The Corona pandemic also had a major impact on prices over the course of the fiscal year. Ethanol prices fell from about 630 €/m^3 at the beginning of March 2020 to 575 €/m^3 at the end of February 2021. Spot prices were extremely volatile, reaching an all-time low of around 350 €/m^3 in March 2020 and after rising steadily, an all-time high of 840 €/m^3 in September 2020.

Protein market

Protein-rich food and animal feed markets are influenced primarily by the global market price of soya and European rapeseed meal prices. According to the International Grain Council (ICG), the 2020/21 global soybean harvest will come in at 361 (338) million tonnes, slightly lower than the 2018/19 record harvest. With consumption rising to 367 (351) million tonnes, inventories thus are projected to drop to 45 (52) million tonnes. In the first half of fiscal 2020/21, soybean prices were quoted at between 8 and 9 USD/bushel[2], driven by drought in South America, low inventories in the United States and high global demand, but they started rising steadily at the end of August 2020. At the end of the fiscal year, soybeans were trading at about 14 USD/bushel. At around 16 (15) million tonnes, the EU's rapeseed harvest in marketing year 2020/21 is only slightly higher than the previous year's weak rapeseed harvest. Quotations for European rapeseed meal followed the lead of Chicago soybean quotations and rose from around 225 €/t at the beginning of the fiscal year to around 320 €/t at the end of February 2021.

[1] Further details can be found in CropEnergies AG's current 2020/21 annual report.
[2] 1 bushel of soybeans equals 27.216 kg of soybeans.

Raw material markets

Global grain production (excluding rice) is expected to climb to 2,224 (2,185) million tonnes in grain marketing year 2020/21 (1 July to 30 June). With grain consumption at 2,232 (2,191) million tonnes, inventories are expected to retreat slightly to 609 (617) million tonnes, but continue to reflect an overall good level of supply. Grain production for the 2021/22 grain marketing year is expected to come in at 2,287 (2,224) million tonnes and grain consumption at 2,286 (2,232) million tonnes. Accordingly, global grain inventories should come in at 609 (609) million tonnes, thus remaining at the previous year's level.

According to the EU Commission, the grain harvest for 2020/21 within the EU is to reach 278 (294) million tonnes. Grain consumption is expected to remain at the previous year's level at 261 (262) million tonnes. European wheat prices on Euronext in Paris rose significantly over the course of fiscal 2020/21, reaching about 245 €/t at the end of February 2021. At the beginning of March 2020, the price was less than 190 €/t. The sharp price rise was due especially to high global demand for cereals. Delayed and failed grain harvests were also seen in important growing regions. For example, the EU reported a significantly smaller wheat and corn harvest, while Argentina and Ukraine also harvested considerably less corn. Added to that were pandemic-related disruptions to global trade flows, which made it difficult to balance regional harvest fluctuations. In grain marketing year 2021/22, the EU Commission again expects a significant recovery in the grain harvest to 293 (278) million tonnes. Demand for grain is expected to remain relatively stable at 263 (261) million tonnes, of which 60 % continues to be used as cattle feed. In contrast, the starch component of only 11 million tonnes of grain, or 4 % of the EU harvest, will be used to produce fuel-grade ethanol. The remaining grain components are primarily refined into high-protein food and animal feed, which help cover the European plant-based protein supply gap.

Legal and political environment

European climate protection policy

The EU aimed to reduce greenhouse gas (GHG) emissions by at least 40 % by 2030. Under the terms of the European Green Deal, the climate protection target for 2030 is to be raised from 40 % to at least 55 % fewer greenhouse gas emissions, based on the year 1990 respectively. The EU aims to reach zero net GHG emissions by 2050, and thus climate neutrality. Achieving the 2030 climate target will require, among other things, greater use of renewable energies. The Renewable Energies Directive will be reviewed in this context in the coming months to determine to what extent a revision can contribute to achieving greater climate ambitions.

Business performance – CropEnergies segment

		2020/21	2019/20	+/– in %
Revenues	€ million	**774**	**819**	**–5.5**
EBITDA	€ million	148	146	1.6
Depreciation on fixed assets and intangible assets	€ million	–41	–42	–1.9
Operating result	€ million	**107**	**104**	**3.0**
Result from restructuring / special items	€ million	1	0	–
Result from companies consolidated at equity	€ million	0	0	50.0
Result from operations	€ million	**108**	**104**	**3.9**
EBITDA margin	%	19.2	17.8	
Operating margin	%	13.8	12.7	
Investments in fixed assets [1]	€ million	29	30	–3.7
Investments in financial assets / acquisitions	€ million	0	0	–
Total investments	€ million	**29**	**30**	**–3.7**
Shares in companies consolidated at equity	€ million	3	2	8.7
Capital employed	€ million	465	450	3.3
Return on capital employed	%	23.0	23.1	
Employees		**450**	**450**	**0,0**

[1] Including intangible assets.

TABLE 032

Renewable Energy Directive

Beyond 2020, the revised Renewable Energy Directive (RED II) has so far stipulated that the share of renewables in the transport sector should increase to at least 14 % in 2030. The contribution from renewable fuels from normal crops is to be as high as 1 % above the 2020 level. The share of fuels from waste and recycled materials is slated to increase from 0.2 % in 2022 to at least 3.5 % in 2030. Renewable fuels produced in a sustainable manner will thus continue to be a pillar for more climate protection in the transportation sector.

The EU is discussing further increases in renewable energy targets while member states currently prepare for RED II implementation. The German government proposes to gradually raise the GHG quota in Germany from 6 % in 2021 to 22 % in 2030. Biofuels from ordinary crops are expected to be able to contribute up to 4.4 %. The share of advanced biofuels is to be increased steadily from 0.05 % in 2020 to 2.6 % in 2030. Other renewable fuel alternatives are to be subsidized alongside established biofuels, including synthetic fuels, which will count double, and renewable electricity, which will count triple towards the GHG quota. Parliamentary deliberations on the German government's proposals for implementing RED II are expected to be completed in the Bundestag by mid-2021.

Business performance

Revenues and operating result

Revenues in the CropEnergies segment declined moderately to € 774 (819) million, in line with the overall drop in sales volumes.

At € 107 (104) million, the strong operating result of the previous year was exceeded once again. Margins increased despite higher net raw material costs, more than offsetting declining volumes.

Capital employed and return on capital employed (ROCE)

Capital employed was slightly higher than the previous year at € 465 (450) million. ROCE was on a par with the previous year at 23.0 (23.1) %, reflecting a slight increase in operating result to € 107 (104) million.

Investments

Investments in fixed assets totaled € 29 (30) million and were mainly used for replacement investments and improvements in plant availability. A key project in Wanze, Belgium, was the design and preparation for the construction of a CO_2 liquification plant, which is to produce 65,000 tonnes of food-grade liquid biogenetic CO_2 per annum starting in 2021. The focus of investments in Zeitz, Germany, was on completing the project to make raw material use at the neutral alcohol plant more flexible. Investments at Ensus in Wilton, UK, went toward expanding and consolidating laboratory and control stations.

Raw materials and production

Agricultural materials originating in Europe are still only processed in Zeitz, Wanze, and Wilton. CropEnergies considers it important to source raw materials as sustainably and close to the location where they are needed as possible. CropEnergies has fully documented the sustainable production of ethanol in all biorefineries and has commensurate certification in accordance with at least one certification system recognized by the EU Commission. The high greenhouse gas savings of the ethanol produced compared to gasoline from fossil sources is audited by an independent body.

Ethanol production fell slightly in fiscal 2020/21 to 0.99 (1.00) million m^3, while food and feed production rose somewhat to 0.60 (0.57) million tonnes. The lower ethanol production number is primarily attributable to lost production in Wanze due to an extended maintenance shutdown caused by the pandemic at the beginning of the fiscal year. Neutral alcohol production capacity utilization at Zeitz and Loon-Plage was extremely high due to strong demand for alcohol for traditional applications, as well as for disinfection purposes. Overall, production capacity over the course of the year was utilized in accordance with market conditions and carrying out regular plant maintenance requirements.

AT A GLANCE

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, industrial and pharmaceutical companies

FRUIT SEGMENT[1]

2 Divisions

Fruit preparations
Fruit juice concentrates

41 Production locations

in 21 countries worldwide

~ 5,200

Employees

Markets

Target markets

The main consumer trends that impact the growth of fruit preparations markets (dairy products, ice cream, baked goods and food services) continue to be naturalness, sustainability, health, enjoyment and convenience.

The main market for the fruit preparations division – spoonable fruit yogurt – will be slightly negatively impacted by the Corona pandemic. Current Euromonitor forecasts show average annual volume growth of almost 1 % globally. Western Europe and North America are stagnating. With growth of just under 2 %, the Asia-Pacific region is showing positive sales trends, as are the Middle East and Africa, with an average annual growth rate of 4.5 %. Drinking yogurts show significantly higher average annual growth globally of 5.3 % for the same period. Along with yogurt as a target market, the product categories of ice cream and baked goods are important for the diversification of the fruit preparations division. Global growth in the ice cream market is about 2 % annually. In Australia and New Zealand, this market is even showing above-average growth of around 4 % annually. In the baked goods sector, the product group of cookies, snack bars and fruit snacks is recording an annual global growth rate of around 2 %.

In the fruit juice concentrates business, there continues to be a trend toward lower fruit juice content in both beverages and directly pressed 100 % juices. As a result, the demand for beverage bases with reduced fruit juice content is rising. The target markets for apple juice concentrate – food retail and food service – were marked by alternating lockdowns and intermittent recoveries in demand.

Raw material markets

Overall, average raw material prices for fruits and ingredients were slightly higher than last year. For strawberries – the fruit preparation´s key fruit – the average price across all procurement regions was on a par with the previous year. Peach prices were slightly below the previous year’s level on average. A significant price increase for Canadian blueberries was offset, among other things, by purchasing European berries. Raspberry, blackberry, mango and pineapple prices increased. For example, the supply of mango puree from India was significantly lower due to the Corona pandemic, resulting in up to 12 % higher prices. As in the previous year, available apple volumes in the main processing regions of Poland and Hungary were significantly below the long-term average harvest volumes resulting in a corresponding impact on prices. The Chinese apple crop was satisfactory. Overall, the berry processing season for concentrate production was defined by restrained volume availability for the main fruits. Prices for strawberries, sour cherries and black currants were above the previous year’s level.

DIVISION	Fruit preparations	Fruit juice concentrates
LOCATIONS	26 production locations in 19 countries for fruit preparations	15 production locations 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 2020/21 annual report.

Business performance

Revenues and operating result

The fruit segment's revenues at € 1,166 (1,185) million were slightly lower as last year. Fruit preparations revenues declined slightly due to lower volumes, while revenues from fruit juice concentrates remained stable despite lower volumes as a result of higher crop-related sales revenues.

Operating result fell moderately to € 53 (58) million. In the fruit preparations division, slightly lower volumes in a challenging environment were more than offset by cost savings. In the fruit juice concentrates division, margins declined despite higher sales revenues as a result of increased raw material prices. In addition, significantly lower volumes had a negative impact on earnings.

Capital employed and return on capital employed (ROCE)

Despite reduced capital employed of € 829 (855) million and a decline in operating result to € 53 (58) million, ROCE was below the previous year's level at 6.4 (6.8) %.

Result from restructuring and special items

The result from restructuring and special items of € −12 (−2) million related to expenses associated with regional restructuring measures arising from ongoing cost-saving programs.

Investments in fixed assets

The fruit segment invested € 24 (52) million. In addition to replacements and maintenance, the fruit preparations division invested in capacity expansions, including the installation of an additional production line at the Lysander, USA and Central Mangrove, Australia factories. Other projects included the construction of a new cold storage facility in Chung-Buk, South Korea and wastewater treatment in Jacona, Mexico.

Business performance – Fruit segment

		2020/21	2019/20	+/− in %
Revenues	€ million	**1,166**	**1,185**	**−1.6**
EBITDA	€ million	94	101	−6.9
Depreciation on fixed assets and intangible assets	€ million	−41	−43	−4.4
Operating result	€ million	**53**	**58**	**−8.8**
Result from restructuring / special items	€ million	−12	−2	> 100
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**41**	**56**	**−26.3**
EBITDA margin	%	8.1	8.5	
Operating margin	%	4.5	4.9	
Investments in fixed assets [1]	€ million	24	52	−53.6
Investments in financial assets / acquisitions	€ million	1	1	> 100
Total investments	€ million	**25**	**53**	**−51.5**
Shares in companies consolidated at equity	€ million	0	0	–
Capital employed	€ million	829	855	−3.1
Return on capital employed	%	6.4	6.8	
Employees		**5,154**	**6,124**	**−15.8**

[1] Including intangible assets.

TABLE 033

Raw materials and production

About 384,000 tonnes of raw materials were purchased in the fruit preparations division in fiscal 2020/21. The main fruit for fruit preparations was strawberries as in previous years. About 70,000 tonnes were processed, followed by about 23,000 tonnes of peaches and 14,000 tonnes of blueberries.

Apple volumes available for fruit juice concentrates in the main processing regions of Poland and Hungary remained at the previous year's low level, and the Chinese apple harvest was satisfactory.

Volume

In total, volumes in the fruit preparations division were slightly below the previous year. Sales volumes in the non-yogurt product sectors[1] and in the fruit trading and frozen fruit sectors were down compared to the previous year, while volumes in the dairy products sector remained stable.

Volumes in the fruit juice concentrates division also declined. With renewed lockdowns in Europe in the fall of 2020, customers were slow to contract for fruit juice concentrates in the course of the 2020 campaign. Steady volume growth in the natural flavors segment continued in 2020/21.

ACTUAL AND FORECAST BUSINESS PERFORMANCE

Table 034 shows actual business performance in 2020/21, juxtaposed with the forecast for 2020/21 contained in the 2019/20 financial statements.

Initial forecast for fiscal 2020/21 dated 22 April 2020

In its press release dated 22 April 2020, Südzucker published its first forecast for fiscal 2020/21. Group revenues were projected to be in a range of € 6.9 to 7.2 billion and consolidated group operating result was expected in a range of € 300 to 400 million, the last of which was driven in particular by the improvement in the sugar segment's results. At that time, however, the economic and financial impacts and the duration of the temporary exceptional circumstances in connection with the Corona pandemic were not yet foreseeable. These effects were therefore not taken into account in this forecast for the 2020/21 financial year.

Press and analysts' conference on 14 May 2020

Following the publication of the 2019/20 annual report at the press and analysts' conference on 14 May 2020, the group forecast for fiscal 2020/21 published for the first time on 22 April 2020 was confirmed and – as shown in table 0034 – supplemented for the segments. This forecast was communicated subject to the effects of the Corona pandemic.

Ad-hoc announcement dated 17 June 2020

In the ad-hoc announcement dated 17 June 2020 – ahead of the publication of the quarterly statement for Q1 2020/21 on 9 July 2020 – Südzucker had confirmed the group forecast as of 22 April 2020, but at the same time pointed out that this forecast continues to be characterized by very high uncertainty due to the ongoing Corona pandemic and the associated high volatilities in all segments.

[1] Ice cream and baked goods business, food services.

Half-year 2020/21 financial report published 8 October 2020

In its report for the first half of fiscal 2020/21 dated 8 October 2020, Südzucker confirmed the full-year forecast for the group. In the sugar segment, a slight instead of a significant increase in revenues and a consolidated operating result between € −100 million and € −50 million were expected. In the special products segment, expectations for revenues were adjusted from a slight to moderate increase and for the operating result from the previous year's level to a moderate increase. In the CropEnergies segment, revenues expectation has been specified in a range of € 790 to 840 million and the expected operating result between € 110 to 140 million.

Ad-hoc announcement dated 14 December 2020

Already in the context of the first half-year publication of business year 2020/21 on 8 October 2020, Südzucker pointed out, amongst other things that the adjusted sugar segment forecast led to the assessment of a group operating result rather at the lower end of the expected earnings range of € 300 to 400 million. At that point Südzucker also indicated uncertainties in sugar segment in regard to the magnitude of price increase for outstanding contract volumes and the further sales development in light of the Corona pandemic. Furthermore, Südzucker alluded to the risks of final capacity utilization in light of a continued drought and reinforced pest infestation in several growing areas. At that time, it became apparent that these risks would gradually materialize.

In the overall view as well as against the background of the increasingly intensifying lockdown in Europe, Südzucker expected group revenues for fiscal 2020/21 between € 6.6 and 6.8 billion and group operating result in a range of € 190 to 240 million.

Q3 2020/21 quarterly statement published 14 January 2021

In its quarterly statement published on 14 January 2021, the group's forecast in the ad-hoc announcement of 14 December 2020 was confirmed. In the sugar segment, the expectations were revised downward with a slight decline in revenues and an operating result of € −150 to −110 million. In the special products segment, revenues were expected to rise slightly and operating result to drop modestly. In the CropEnergies segment, revenues were expected in a range of € 765 to 795 million and operating result between € 95 and 110 million. The fruit segment's expectations were adjusted to a slight increase in revenues and an operating result at the previous year's level.

		Outlook 2020/21[1]	Actual 2020/21	Actual 2019/20
Group				
Revenues	€ billion	6.9 to 7.2	6.7	6.7
Operating result	€ million	Range between 300 and 400	236	116
Return on capital employed	%	Significantly higher	3.8	1.8
Sugar segment				
Revenues	€ million	Significantly higher	2,252	2,258
Operating result	€ million	Range between −40 and +60	−121	−236
Special products segment				
Revenues	€ million	Slightly higher	2,487	2,409
Operating result	€ million	Same as last year	197	190
CropEnergies segment				
Revenues	€ million	Drop sharply	774	819
Operating result	€ million	Drop sharply	107	104
Fruit segment				
Revenues	€ million	Rise moderately	1,166	1,185
Operating result	€ million	Rise moderately	53	58

[1] Published on the press and analysts' conference (consolidated management report 2019/20) on 14 May 2020.

TABLE 034

OUTLOOK

Economic environment

In its winter world economic outlook dated 20 January 2021, the International Monetary Fund (IMF) forecast substantial global economic expansion of 5.5 (−3.3) % for 2021. It states that growth should be achievable from Q1 2021 onwards thanks to rising vaccination rates worldwide.

In the IMF's spring report of 23 March 2021, the world economic growth forecast for 2021 was raised from 5.5 to 6.0 % in view of the further improving availability of additional vaccines. China and the United States are the primary drivers of the increase and the encouraging overall growth rate. The IMF expects China's economic recovery to be very strong, with growth of 8.4 (2.3) %. The country remains important for global supply chains and raw material markets despite pandemic-related restricted world trade. For the United States – the world's largest economy – the organization also expects GDP growth to be a strong 5.5 % following a decline of 4.7 % last year.

In its winter report dated 11 February 2021, the EU Commission forecast growth of 3.7 (−6.3) % for the euro zone. The IMF's spring report projects 4.4 (−6.6) % growth.

Volume and raw material markets

Due to a large world market surplus in spring 2017, the world market price for sugar sank to about 200 €/t and remained at this low level until the end of 2019. Amid expectations of a considerable world market deficit for sugar in sugar marketing years 2019/20 and 2020/21, the world market price started solidly recovering at the end of 2019. It reached 413 €/t in February 2020, the highest level since May 2017. The Corona pandemic has driven world sugar prices down significantly since February 2020 in conjunction with sharply lower crude oil prices. The value finally stabilized again at slightly above € 300/t. Since the beginning of 2021, expectations of a deficit for the 2021/22 sugar marketing year caused the world market price to bounce back to about € 390/t.

In sugar marketing years 2018/19 to 2020/21, the EU sugar market became a net import market due to a decline in areas under cultivation and weak yields, which led to a steady price recovery in the EU. Cultivation areas are expected to shrink again in 2021, leading to a continuing stable market environment, so that together with the world market price recovery, a further increase in EU prices is to be expected.

The EU-27's and UK's consumption of fuel-grade ethanol and rectified spirit is expected to increase to 8.3 (8.2) million m^3 in 2021. The demand is expected to be offset by domestic production of 7.7 (7.3) million m^3, while net imports are forecasted to decline to around 0.6 (1.0) million m^3.

Greater use of fuels with higher ethanol content and widespread use of E10 is necessary if transport sector climate and energy targets are to be achieved. It is expected that the implementation of RED-II and national climate and energy targets will further expand the use of E10 in Europe.

The International Grain Council (IGC) is expecting world grain production (excluding rice) to rise to 2,224 (2,185) million tonnes in 2020/21. Global inventories are expected to decline to 609 (617) million tonnes due to anticipated higher consumption. Cereal prices rose sharply due among other things to strong global demand for cereals plus delays and cereal harvest losses in key growing regions during the fiscal year. Grain prices are expected to decline again due to the continuing overall excellent supply situation and a positive outlook for the 2021/22 harvest. According to the IGC's March 2021 forecast, the 2021/22 grain harvest is expected to rise to 2,287 million tonnes.

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

Business outlook

Vaccination rates against COVID-19 are expected to increase steadily worldwide with wide regional disparities. The economic impact of the virus is thus expected to wane over time. Notwithstanding the positive outlook, there will continue to be Corona pandemic-related risks in fiscal 2021/22. The economic and financial impact and duration of the disease are difficult to assess.

Group

We are expecting consolidated group revenues of € 7.0 to 7.2 (previous year: 6.7) billion in fiscal 2021/22. We expect the sugar segment's revenues to rise sharply. We anticipate the CropEnergies segment's revenues to range between € 800 and 850 million. We expect the special products and fruit segments' revenues to rise moderately.

We expect a consolidated group operating result ranging between € 300 and 400 (previous year: 236) million. We estimate that the sugar segment's operating result will range between € 0 and 100 million. We anticipate the special products segment's operating result to be moderately below the strong previous year's level. CropEnergies' operating result is expected to be between € 50 and 80 million. In the fruit segment, we are forecasting a moderate increase in results.

We expect capital employed to remain at last year's level. Based on the aforementioned operating result improvement, we expect a significantly higher ROCE (previous year: 3.8 %).

Sugar segment

Another world market deficit is expected for the current 2020/21 sugar marketing year, which will further reduce inventories. With world sugar production and consumption balanced in sugar marketing year 2021/22, the world market environment should remain positive. In Europe, the continuing difficult growing conditions will cause beet cultivation to decline further. Nevertheless, if yields normalize, the EU is expected to produce more sugar. But since the EU is expected to remain a net importer in the 2021/22 sugar marketing year, Südzucker will enjoy a positive market environment. This assumes that negative effects of the Corona pandemic such as distorted crude oil prices and currencies, with their associated sugar price consequences, are continuously reduced in parallel with increased vaccination rates.

With production and sales volumes rising, we expect income from sales to increase significantly and revenues to rise sharply (previous year: € 2.3 billion) over the course of the year.

We expect the sugar segment's result to range between € 0 and 100 (previous year: € –120) million. However, we continue to expect low losses for the first half of 2021/22, as higher prices since October 2020 will be offset among other things by higher raw material costs From October 2021, we expect rising sales revenues in a brightening market environment and further material cost savings from the restructuring completed to date, as well as associated follow-up measures and projects. This should then lead to positive operating earnings, both in the second half and for fiscal 2021/22 as a whole, despite steadily increasing raw material costs.

Special products segment

We expect the special products segment's overall production and sales volumes to rise further. We therefore expect moderately higher revenues (previous year: € 2.5 billion). Due to reduced sales income in some areas and higher costs, especially for raw materials, we are forecasting the operating result to be moderately below last year's strong level (previous year: € 197 million).

CropEnergies segment

We expect the CropEnergies segment's revenues to range between € 800 and 850 (previous year: € 774) million and the operating result to come in between € 50 and 80 (previous year: € 107) million. With mobility normalizing over the course of the year and demand for climate-friendly fuels rising, we expect the need for renewable ethanol to remain high in fiscal 2021/22. Production capacity utilization should thus also be high. The main reason for the lower result is the significantly higher raw material prices than last year. However, the impact of the Corona pandemic continues to create uncertainty in all markets.

Fruit segment

We expect the fruit segment's revenues (previous year: € 1.2 billion) and operating result (previous year: € 53 million) to rise moderately in fiscal 2020/21. We expect revenue growth for the fruit preparations division, which will be achieved through higher sales volumes and prices. Results are forecast to be higher, driven by higher sales volumes as well as lower costs than in 2020/21. The fruit juice concentrates division's revenues are expected to report stable revenues in the new fiscal year while results are expected to improve.

RISK AND OPPORTUNITY REPORT

Risk management

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

Südzucker 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 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
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 financial and compliance risks.

Südzucker Group's risk management system includes monitoring systems that ensure 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 and the compliance committee support the board in this task and regularly evaluate the suitability of the installed risk management and compliances 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

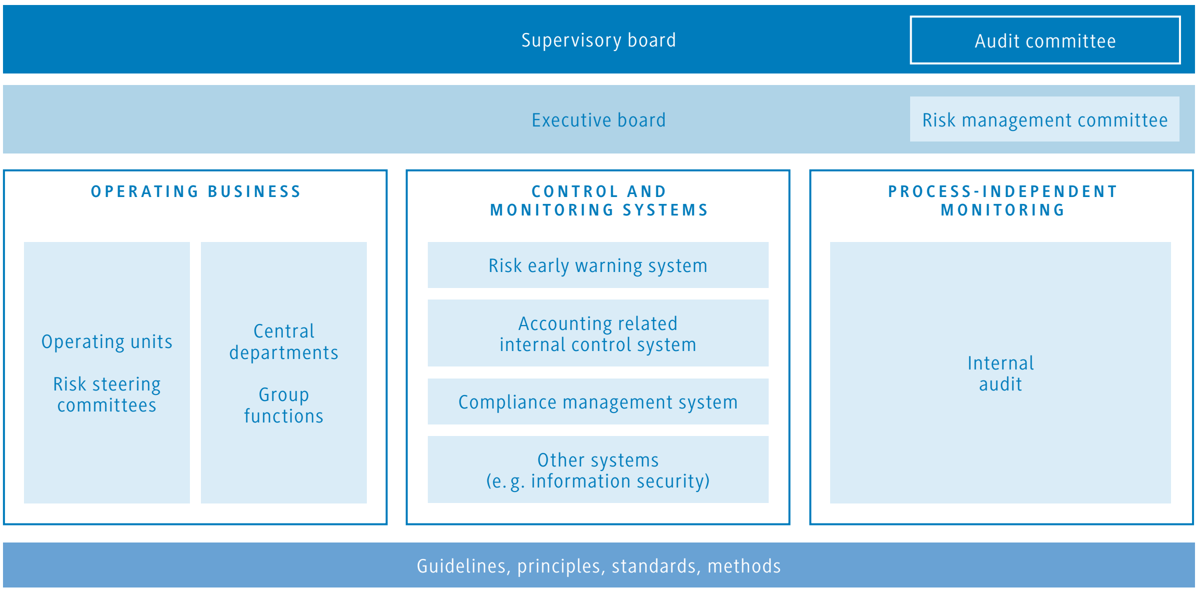


DIAGRAM 017

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. They take steps to reduce and hedge operational risks, as well as financial and legal risks.

Changes in market prices can exert considerable positive or negative pressure on the operating result. The company has therefore installed risk committees that evaluate how to handle such risks in those operating units in which operating results are materially affected by market price volatility. Market price risks resulting from commodity and selling prices, as well as currency exchange and interest-rate risks are also countered by selectively using derivatives. The executive board has defined the acceptable instruments for risk mitigation in a management directive of price risks from operating business, which also governs hedging strategies, responsibilities, processes and control mechanisms. Financial derivative instruments are only used to hedge underlying transactions and entered into with banks that have a high credit rating or on futures exchanges.

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

Medium and long-term opportunities and risks are determined on the basis of strategic analyses, considering risk-relevant factors such as market developments in the sales and procurement markets, competitive position, technical innovations, cost structure development, employees and sustainability. Medium and long-term risks are identified and assessed annually as part of the group-wide conducted strategic development of the divisions and segments. 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 and 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.

Summary of the risk and opportunity situation

The COVID-19 outbreak has led to massive interventions in public life, particularly in Europe, and has significantly impacted economies and societies. Südzucker Group's risks have considerably increased as a result. Maintaining production under pandemic conditions involved increased hygiene measures, restricted contact and employees who fell ill. These factors along with the challenges of selling our products led to high levels of stress at the company. The further course of the pandemic and the consequences for Südzucker Group are still highly uncertain, despite vaccinations against the virus having begun.

The price trends for the input agricultural raw materials and the sugar, ethanol and starch products made from them have a significant influence on the future development of the Südzucker Group. Key factors that drive these changes, such as the impact of the COVID-19-pandemic, regulation of agricultural production conditions, crop protection restrictions, weather and harvest conditions, climate policy for CO_2 reduction, blending targets for renewable raw materials and the demand for and supply of competing raw materials and substitutes, can only be affected by the company to a limited extent in the short term. Demand growth for foodstuff is undergoing changes that are accompanied by increasing EU consumer policy regulations.

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

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

The BENEO, Freiberger and Starch divisions and the fruit and CropEnergies segments contribute significantly to stabilizing Südzucker Group's risk and opportunity profile. The focus of climate policy on renewable energies has increased the long-term opportunities for additional market growth in the CropEnergies segment.

The group's overall risk position is high and has increased further compared with last year due to the uncertainty surrounding the further development of agricultural raw material production in Europe. Nevertheless, currently there are still no apparent existential risks that threaten the organization.

Summary of short-term opportunities and risks

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

The following section describes the main opportunity and risk factors for Südzucker and outlines their significance, considering the potential financial impact and likelihood of their occurrence on the results of the 2021/22 financial year.

	Significance	Possible financial effects
Low	○○●	< € 5 million
Medium	○●●	€ 5 – 20 million
High	●●●	> € 20 million

TABLE 035

The greatest individual risks currently are the availability and price volatility of raw materials, product volume risks, unchanged high product price volatility, and production and investment risks. The potential financial impact of the other risks outlined in this report is comparably minor.

Corona pandemic

The COVID-19 outbreak has led to massive interventions in public life, particularly in Europe, and has significantly impacted the economy and society. Südzucker Group, a producer of food and animal feed and manufacturer of ethanol – primarily a component of fuels and disinfectants – is part of critical infrastructure.

Extensive safety programs are rolled out throughout the group to protect employees and maintain production. Specifically, the company establishs crisis teams, implements local crisis management plans at each location, increases communication frequency, strengthens hygiene activities and ensures strict compliance with official recommendations and orders. Furthermore, business trips were restricted; temporary work from home and virtual meetings are essential in the administrative areas. Nevertheless, employees can also contract COVID-19, which can have an immediate impact on production and administration. However, some measures to contain the spread of the virus, such as home quarantines, can lead to disruptions of our operations in ways that cannot always be addressed with strategies such as working from a home office. In spite of the challenges, the group was able to continue operations at all of its factories, sometimes under difficult conditions and with curtailed production.

Opportunity and risk factors

	Importance in 2021/22	
	Risks	Opportunities
Environment and industry		
Market and competition	●●●	●○○
Changes in the legal and political framework	○○●	●○○
Company-specific opportunities and risks		
Raw materials	●●●	●○○
Production and investments	●●●	●○○
Target markets	●●●	●●●
Information technology	○●●	●○○
Acquisitions / Restructuring	○○●	●○○
Legal risks	○○●	●○○
Fraud and corruption risks	○○●	○○○
Finance		
Exchange rate fluctuations	○●●	●●○
Other financial opportunities and risks	●●●	●●●

TABLE 036

The crisis increased the price volatility of raw materials, directly impacting the price of ethanol and the world market sugar price, and most recently also grain prices. The months-long lockdowns and cancellation of almost all public events, together with tight restrictions in the food service sector also reduced sales volumes for some of our products. We still cannot predict how long this situation will last.

The financial and capital markets and the commercial paper market were sometimes significantly distorted following the outbreak of the pandemic. Further economic growth continues to be driven by macroeconomic uncertainty, and is affected by periods of lockdowns. Insolvency rates are generally expected to rise notwithstanding government support measures. Insurance companies already reduced coverage of goods in fiscal 2020/21. In some cases coverage was completely canceled and new customers found it more difficult to secure initial insurance policies. The government intervened to mitigate the developments by announcing guarantees for credit insurers. How the situation will develop once the state guarantees expire remains to be seen.

The financial impact of this extraordinary situation has been included in the assessment of the risks presented below to the extent foreseeable. However, these estimates are encumbered by high uncertainty.

Environment and industry

Market and competition

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

Changes in legal and political framework

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

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

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

Company-specific opportunities and risks

Raw materials

In fiscal 2020/21, Südzucker Group processed 31 (36) million tonnes of agricultural raw materials grown on just under 1,000,000 hectares of land. In addition to 24 (28) million tonnes of sugar beets, the crops comprise corn, wheat, barley, rice, triticale, chicory, potatoes and fruits.

As a processor of these raw materials, Südzucker is exposed – in spite of broad diversification of the cultivation regions – to procurement risks. These relate mainly to above-normal fluctuations of harvest yields, due primarily to extreme weather conditions (climate change), as well as pests and diseases that attack the company's crops. Massive yield losses were seen in important beet-growing regions in Europe in 2020 as a result of the neonicotinoid ban, which led to infestation by a beet mild yellowing virus transmitted by aphids. By now, temporary exemptions have been granted to allow neonicotinoid application for beet cultivation in most of the affected cultivation areas.

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

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

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

For producing ethanol agricultural raw materials containing carbohydrates, such as grain and sugar syrup, are required. Price fluctuations on global agricultural markets directly impact raw material costs. To assess the risk of producing ethanol, we calculate raw material costs minus sales revenues from food and animal feed (according to net raw material costs). Because changes in the grain market environment generally also have an impact on the market environment for food and animal feed containing protein, we are able to partly offset higher raw material costs with increased sales revenues from these products. Our business policy in ethanol production will mitigate residual risks of raw material price increases by entering into long-term supply agreements and utilizing commodity futures contracts as a hedge, as well as using alternative raw materials.

Production and investments

We strive to avoid unplanned factory shutdowns – especially during the campaigns – by conducting comprehensive maintenance programs and continually upgrading our plants. We mitigate risks from the implementation of investments through comprehensive investment project planning and project controlling.

The price of energy and raw materials are key input cost factors, especially for the production of sugar, starch, inulin and ethanol. Price fluctuations directly impact production costs. This applies not only to the energy sources themselves, but also to CO_2 certificates that must be purchased if free allocations do not cover operating requirements. The company has a forward-looking procurement policy and utilizes long-term supply contracts or derivatives to price hedge some of the fuels or CO_2 certificates used during the campaign. This reduces the impact of price fluctuations on our results.

In addition, investments to improve the energy efficiency of the production plants and the reduction of CO_2 emissions throughout the group are an ongoing priority.

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

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

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

Target markets

The sugar segment is exposed to opportunities and risks resulting from price fluctuations in the world sugar market, the EU common market and animal feed markets. If the expected moderate growth in world sugar consumption is not achieved, price pressure on the world market can be expected to increase. In the event that the deficit on the world sugar market increases or decreases more than expected, global market prices may fall or rise. The world market price trend also influences the sugar price level in the EU. Since many sales contracts are signed for one year at a fixed price, short-term market price changes have only a limited or delayed impact on earnings. The pandemic caused sugar volumes to decline in the 2019/20 sugar marketing year. Uncertainty surrounds further developments. Mobility restrictions have also significantly curtailed demand for fuels for the time being, and prices for bioethanol have fluctuated considerably as a result.

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

Ethanol prices in Europe are affected by various factors such as supply and demand at the local level, the price level and availability in the United States, Brazil and other exporting countries, as well as general political conditions, and may thus fluctuate significantly. In order to reduce the impact of price fluctuations on earnings, these risks are controlled by structuring sales contracts, derivative instruments and flexibly operating its ethanol plant in Wilton, United Kingdom, depending on the market situation and the associated costs and earnings. Ethanol sales volume numbers continue to be highly uncertain due to the pandemic.

There could be losses if customers are unable to meet their payment obligations. Südzucker counters these credit and default risks by largely capping risks through credit insurance and bank guarantees. In addition, the creditworthiness and payment behavior of debtors are constantly monitored and credit is managed on a group-wide basis.

Information technology

The management of our group is largely dependent on a sophisticated computer system, which is increasingly exposed to information security risks from internal and external sources. We apply appropriate processes and programs to protect the availability, confidentiality and integrity of business-related information and data processing systems. The processes and programs rely on relevant standards, and are operated, monitored and continuously updated by qualified internal and external experts. Südzucker Group operates an information security management system (ISMS) to identify information security risks and manage protection goals and minimum standards.

Südzucker Group companies are considered critical infrastructure, so they are subject to both national and EU regulation. New national requirements are expected in the coming months, especially in Germany. These must be first be reviewed, then implemented. Higher statutory fines will require a reassessment of the maximum potential risk.

Acquisitions / Restructuring

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

Restructuring programs can result in myriad expenses that exceed initial estimates and expected savings may not be achieved. Risks associated with the restructuring of production plants and administrative departments can impact the respective businesses and production processes.

Südzucker Group additionally owns shares in joint ventures and associated companies and has other shareholdings as well. These companies are subject to the business environment specific to their respective activities. With a minority interest, the possibility of integrating these companies is limited and the effects of restructuring measures such as the share of ED&F Man Holdings Limited, consolidated at equity, are only possible to a limited extent. Although ED&F Man's trading business continues to be profitable, Corona-related delays negatively impacted the strategic realignment of the company. In September 2020, ED&F Man was able to secure a three-year extension to its existing financing and thus gain the time required for its strategic realignment.

Legal risks

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

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

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

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

As expected, following the conclusion of the German sugar cartel fine proceedings in February 2014, customers filed claims for damages and in some cases sued citing alleged cartel-related price surcharges. Südzucker is defending itself against the claims on the basis that customers did not suffer any disadvantages during the period identified by the Federal Cartel Office. The legal proceedings pending at various German regional courts are costly and tedious. The Cologne Regional Court issued the first case rulings in October 2020. All claims pending there were dismissed and costs assigned to the plaintiffs because the court could not identify a sufficiently high probability of injury. One of the judgments has already become final; in the other proceedings the plaintiffs have appealed. Südzucker will likely also have to continue to deal with these proceedings in the coming years.

At the beginning of February 2021, the Hanover Regional Court dismissed the lawsuit with the highest claim amount nationwide on formal grounds. The plaintiff had the potential claims of numerous sugar customers assigned to itself for the purpose of suing collectively. The court considered the assignments invalid. The ruling is not yet final.

The claim filed by the Austrian Federal Competition Authority in 2010 for setting a fine for suspected anticompetitive agreements against Südzucker AG and AGRANA Zucker GmbH, Vienna, Austria, was rejected by the Vienna Cartel Court in its decision of 15 May 2019. The Federal Competition Authority has appealed against this decision; no judgment has yet been issued. The Austrian Supreme Court, which now has jurisdiction, has referred a number of questions to the European Court of Justice for clarification under European law. Its final decision is pending.

Fraud and corruption risks

Fraud and corruption risks can arise when Südzucker Group employees or managers break laws, contravene internal regulations or fail to comply with regulatory standards recognized by Südzucker. Persons outside the company may also commit fraud using forged identities to initiate payments or deliveries. Training courses were held in order to ensure that each and every employee behaves in a proper manner regarding legal conformity and social ethics. Specific recommendations on selected topics were developed and made available to employees.

Finance

Because it conducts business worldwide, Südzucker Group is exposed to a variety of financial risks. This includes risks associated with fluctuating currency exchange and interest rates, liquidity risks, as well as credit rating and default risks.

Exchange rate fluctuations

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

Other financial opportunities and risks

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

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

The rating agencies Moody's and Standard & Poor's assess Südzucker's creditworthiness. Südzucker is committed to maintaining a stable investment grade rating. A downgrade in the assigned rating could negatively impact the group's cost of capital for future financing needs.

Südzucker Group mitigates liquidity risks using long-term capital market and bank financing by way of issuing euro bonds, promissory note loans and bank loans. Short-term liquidity is secured through the Südzucker commercial paper program and syndicated and bilateral bank credit lines. Securities investments and emission certificates also offer liquidity reserves.

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".

Summary of medium to long-term opportunities and risks

Changes in the legal and political environment

The different national regulatory conditions existing within the EU mean that, despite existing overcapacities on the European sugar market, a market shakeout cannot occur as a result of inefficient competitors leaving the market. There is a risk that an oversupply in the EU sugar market will exert downward pressure on EU sugar prices. Changes in national agricultural policy; for example, the approval of plant protection products, can also constrain competition.

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

Potential risks to our sales opportunities and supply chains also arise from trade restrictions and the increasing renationalization of production in certain regions, partly as a result of the COVID-19 pandemic. There is also the risk that subsidized sugar production, especially in a number of Asian countries such as India and Thailand, will continue and prevent a sustainable recovery of world market sugar prices.

Climate targets and associated government policies to reduce CO_2 present an opportunity for significant market growth for renewable energies in the transportation sector. This will potentially result in additional sales of fuel-grade ethanol, especially if further market penetration of E10 succeeds and E20 can be launched. On the other hand, the government focus on e-mobility harbors the long-term risk for declining volumes of fuel-grade ethanol.

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

On the other hand, changes in legislation and regulatory conditions in areas such as hygiene, packaging or ingredients for food can also open new market opportunities, even though change processes include risk.

Climate change and sustainability

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

One of the five core elements of the new 2026 PLUS corporate strategy is a commitment to sustainable business practices. As part of our sustainability management program, we evaluate opportunities and risks associated with the primary impact of our activities, especially on the environment. For example, energy use, emissions, water and waste are continuously monitored, and we regularly investigate potential savings and substitutions.

Most Südzucker production locations are subject to the EU emissions trading system, especially in the sugar and CropEnergies segments, but also the BENEO and starch divisions. This is why the company has always dealt intensively with potential regulatory (transitory) risks in the area of energy legislation. Government interventions related to the fight against climate change at the EU level (European Green Deal) and the national level of the countries in which Südzucker operates aimed at meeting the Paris Climate Protection Agreement and the United Nations Climate Convention targets mean that the company can expect potential restrictions on the use of or higher taxation of fossil energy sources in the coming years.

Reducing EU greenhouse gas emissions by at least 55 % by 2030 compared to 1990, phasing out coal by 2030, and achieving climate neutrality by 2050 pose unique transformation risks. Südzucker mainly uses natural gas as an energy source, but this is not good enough. The company is in the process of evaluating the viability of optional technologies. Implementing new energy technologies throughout the group will require substantial investment.

Achieving the environmental goals of sustainable water resource use the transition to a circular economy, prevention of environmental pollution, and protection of ecosystems and biodiversity continue to be a top priority. This too demands investments in our production sites whose magnitude and time to implement cannot yet be precisely estimated.

We see medium to long-term growth opportunities for using renewable raw materials or biogenic residues to produce chemicals (biobased chemicals).

A key objective of the EU's Green Deal is to steer investment decisions towards sustainable economic activities. This goes hand in hand with the need to classify sustainable economic activities and report on implementation of any initiatives, in particular in the area of climate protection and energy conservation. We can assume that sustainability ratings will become increasingly important. It cannot be ruled out that deteriorating sustainability ratings will threaten corporate financing or government subsidies. We are addressing this through transparent reporting and talking with external stakeholders.

Demand growth, consumer behavior and trend towards sustainable consumption

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

The trend toward high-quality, healthy foods and the increasing awareness of hygiene as a result of the COVID-19 pandemic is creating new sales opportunities for Südzucker. Südzucker benefits from the long-term trend toward healthier eating habits, especially in the functional food segment.

On the other hand, there are also risks for some products, such as fruit yogurt or apple juice concentrates, due to changes in consumer preferences. Südzucker counters such risks by innovating and continually enhancing its product portfolio. This includes, for example, developing, producing and distributing alternative sweeteners or developing solutions based on plant proteins, among others for the meat substitute sector. Südzucker plans to seize such opportunities through a market-oriented innovation strategy.

Südzucker uses corporate acquisitions to supplement organic growth and further drive diversification. This requires us to expand the existing product portfolio, enter new geographical markets and extend the business activities into upstream and downstream segments of the value chain. Government policies as well as the public health debate and media mindset influence sugar consumption. Sugar is often unilaterally declared the cause of obesity and diseases such as diabetes, dental caries and subsequent illnesses. Südzucker strives to bring rationality to the debate by presenting the true interrelationships between sugar consumption, a balanced diet and a healthy lifestyle. We expect overall sugar volume to shrink in the EU in the medium to long-term.

We also expect increasing requirements to provide carbon footprints for products in all segments, as well as the absolute volume of greenhouse gas emissions associated with production. Demand for climate-neutral products is also expected to rise in future.

Employees

The recruitment and long-term retention of skilled employees is an increasing challenge due to demographic developments. Particularly in the IT, technology and natural sciences sectors, there is a risk of not being able to adequately fill vacancies again, or only with delay. In order to protect Südzucker's position when competing for qualified employees, we emphasize the attractiveness of Südzucker Group as an employer through our human resources management policies, which aim to encourage specialists and managers to stay with the company for the long term. In addition to attractive social benefits and compensation policies, we offer a wide range of advanced and continuing education courses, trainee programs, measures to promote health and the reconciliation of work and private life and job opportunities. One-half of Südzucker's supervisory board constitutes employee representatives from inside the company or the unions. Südzucker is bound by collective bargaining agreements in many countries and social dialogue is common daily practice. Employees are kept abreast of current events and given the opportunity to discuss issues with management in regular employee meetings.

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

Innovations

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

Südzucker's internal research and development competence and broad production expertise are important competitive advantages. One of the action items of the group strategy project 2026 PLUS is to make greater use of Südzucker's innovation capabilities in the future in line with a market-oriented innovation strategy.

New market opportunities are arising for Südzucker in many different areas. This includes utilizing products obtained from plant-based raw materials in related and new markets. For example, using agricultural materials to produce bio-based chemicals offers diversification opportunities in the non-food sector. Improving the extraction of materials from secondary streams also provides new marketing opportunities. These materials can be used for example to produce high-quality food supplements and animal feed.

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

IFRS reporting guideline

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

Internal audit system as it 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 recommendation F.4 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 including its chairman. The executive board, as a management body, conducts the company's businesses in the interests of the corporation with the aim of generating sustainable added value. The supervisory board has provided the executive board with rules of procedure which are in force as per the version dated 30 January 2020.

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

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

Supervisory board

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

The executive board submits comprehensive, timely reports regarding planning, business developments and the group's positioning to the supervisory board – in writing and at regular meetings. Risk management and compliance are additional key reporting topics. If necessary, extraordinary meetings are held with the supervisory board to discuss important issues. The supervisory board has established rules of procedure for its work, which are in force as per the version dated 12 November 2020 and published on the website of Südzucker AG (www.suedzucker.de/en/investor-relations/corporate-governance/aufsichtsrat). The shareholder representatives and employee representatives always meet separately to prepare the supervisory board meetings.

Supervisory board self-assessment

The supervisory board regularly assesses how effectively it and its committees fulfill their duties. This is done annually using a questionnaire, with no outside assistance. Each year, the questionnaire is amended according to the latest revision of the code. The questionnaires are evaluated and the results and improvement suggestions discussed at each November meeting. The aim is to continuously improve the work of the supervisory board and its committees.

Supervisory board structure

Südzucker AG's supervisory board consists of 20 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).

All members of the supervisory board have the knowledge, skills and professional experience required to properly perform their duties. They are familiar with the sector in which Südzucker AG conducts business. The statutory gender quota is upheld.

The current supervisory board members are presented in the notes under item 37 "Supervisory board and executive board".

Supervisory board diversity policy

As per a resolution passed on 16 November 2017, Südzucker AG's supervisory board is mainly aiming for the following targets for the full board in its future composition, in consideration of the sector, the size of the company and the share of international business activity:

- All supervisory board members shall have adequate corporate or operational experience and shall ensure they have sufficient time to fulfill their supervisory board duties.
- Each member of the supervisory board shall demonstrate the required reliability and personal integrity to fulfill the board's supervisory duties.
- At least two members of the supervisory board should be independent within the meaning of the German Corporate Governance Code. Not independent in terms of the German Corporate Governance Code is anyone who has a personal or business relationship with the company, its organs, a controlling shareholder or company associated with these, which could result in a material and not merely temporary conflict of interest.
- Not more than two former members of the executive board shall be members of the supervisory board.
- The supervisory board shall have at least two members with international experience or specialized knowledge in one of the company's key non-German markets.
- At least one member of the supervisory board shall be a financial expert.
- The supervisory board shall have at least three female and three male members to represent the employees.
- No candidate older than 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 implementation 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 five changes at the supervisory board (four employee representatives and one shareholder representative).

According to the supervisory board's evaluation, the supervisory board currently consists of two members, and thus – considering the ownership structure – a sufficient number of independent members. Ms. Susanne Kunschert, Stuttgart, Germany, and Ms. Julia Merkel, Wiesbaden, Germany, are independent of Südzucker AG, its executive board and the controlling shareholder Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG). 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.

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

Executive board diversity policy

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

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

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

Accordingly, as per a resolution passed on 14 November 2019 regarding the composition of the executive board – in consideration of the sector, the size of the company and the share of international business activity – Südzucker AG's supervisory board aims to meet the following objectives:

- Number: Given the size of the company and the current organizational and responsibility structure at Südzucker Group, it is recommended that Südzucker AG have at least four executive board members. The supervisory board can appoint a chairperson or speaker from this panel.
- Age: An executive board member should hold office no longer than the end of the fiscal year in which he or she reaches the age of sixty-five.
- Gender: The supervisory board prioritizes qualifications rather than gender when selecting candidates. In its meeting of 17 May 2017, the board decided to extend the target quota for female executive board members of 0 % until 16 May 2022.
- Education and career: The educational and career background of members of Südzucker AG's executive board should satisfy the required competencies of general executive board duties, as well as of the member's specific portfolio assignment. These competencies could have been acquired by completing a university degree, some other occupational training or by some other means.
- Internationality: It is recommended that the executive board have at least one member with international experience or specialized knowledge in one of the company's key non-German markets.

Supervisory board committees

The supervisory board has formed an executive committee, audit committee, agricultural committee, social committee, mediation committee and nomination committee from among its members. These committees prepare and supplement its work. The executive and mediation committees each consist of four members. The audit committee, the agricultural committee and the social committee have six members each, with an equal number of shareholder and employee representatives. The nomination committee newly formed by resolution of the supervisory board on 12 November 2020 is composed of four shareholder representatives. The duties of the executive board and the other committees are outlined in the supervisory board rules of procedure version dated 12 November 2020. The audit committee's rules of procedure version dated 21 July 2009 apply to the audit committee. The current members of the committees and their respective terms of office 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. During 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, compliance 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 for many years. The company's policies are consistent with the recommendations of the Code and compliance is a key executive board and supervisory board responsibility.

In our opinion, the current version of the Code dated 16 December 2019[1] is largely balanced, practical and of high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles.

2020 Declaration of Compliance

In November 2020, the executive and supervisory boards issued a declaration of compliance with the recommendations of the German Corporate Governance Code in the versions dated 7 February 2017)[2] and 16 December 2019 as per section 161 of the German Stock Corporation Act (AktG).

Südzucker AG complies with the recommendations of the code with the exception of the items outlined in the declaration of compliance. There are no recommendations in the code that do not apply to Südzucker AG due to overriding legal requirements. Südzucker AG complies with the suggestions of the currently valid code with one exception: Contrary to suggestion G.18, the remuneration of the supervisory board is not purely fixed.

The complete version of the 2020 declaration of compliance – as well as the declaration of compliance for prior years – is posted on Südzucker AG's website (www.suedzucker.de/en/Entsprechenserklaerung/).

[1] The version 16 December 2019 came into force with the publication of the German Federal Gazette on 20 March 2020.

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

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 AG:

Another information seminar regarding corporate governance topics was presented by an external legal expert in fiscal 2020/21.

Remuneration report

Executive board

Südzucker AG's executive board current 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 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. The remuneration system for listed companies is based on sustainable corporate growth. Variable compensation components should be calculated on a multi-year basis. The requirement regarding a term longer than one year within Südzucker AG is met by applying the average dividend for the 2018/19 to 2020/21 financial years. The compensation system will be revised and submitted to Südzucker's annual general meeting on 15 July 2021 for approval.

Compensation of the executive board 2020/21

€	Fixed compensation including fringe benefits	Compensation of subsidiaries	Variable compensation	Total compensation	Service cost
Dr. Niels Pörksen (Chairman)	780,040	71,766	200,000	**1,051,806**	150,000
Dr. Thomas Kirchberg	604,215	71,765	176,660	**852,640**	15,981
Thomas Kölbl	624,797	71,765	176,660	**873,222**	328,560
Johann Marihart	712,418	16,200	844,200	**1,572,818**	0
Total	**2,721,470**	**231,496**	**1,397,520**	**4,350,486**	**494,541**

TABLE 037

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. Mr. Johann Marihart receives no executive board compensation from Südzucker AG, nor does Mr. Thomas Kölbl receive any executive board compensation from AGRANA Beteiligungs-AG, Vienna, Austria.

Shareholders at the annual general meeting of Südzucker AG resolved on 16 July 2015 to waive disclosure of individual remuneration of executive board members for five years. The company therefore refrained from disclosing information on the compensation of individual executive board members in the compensation report for the last time for fiscal 2019/20.

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. In addition, Dr Hans-Jörg Gebhard, Mr Franz-Josef Möllenberg, Mr Erwin Hameseder and Mr Helmut Friedl receive remuneration for the exercise of Group mandates.

The total remuneration of executive and supervisory board members including prior year's amounts 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 current version of the German Corporate Governance Code dated 16 December 2019 no longer recommends such insurance for supervisory board members. Accordingly, the D&O insurance deductibles for supervisory board members have been suspended effective 1 March 2021.

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 2020/21, the members of the executive and supervisory boards have not informed Südzucker AG about any notifiable managers´ transactions in securities.

Group compensation of the supervisory board (including group mandates)

€	2020/21
Dr. Hans-Jörg Gebhard Chairman	304,200
Franz-Josef Möllenberg 1st deputy chairman	157,500
Erwin Hameseder 2nd deputy chairman	150,000
Fred Adjan [1]	30,000
Thomas Bernhard [2]	30,000
Helmut Friedl	133,000
Ulrich Gruber	90,000
Veronika Haslinger	75,000
Georg Koch	75,000
Susanne Kunschert	60,000
Ulrike Maiweg	60,000
Walter Manz	60,000
Julia Merkel	60,000
Sabine Möller	60,000
Angela Nguyen	60,000
Joachim Rukwied	60,000
Bernd Frank Sachse	60,000
Nadine Seidemann	75,000
Dr. Stefan Streng	60,000
Wolfgang Vogl	75,000
Rolf Wiederhold	105,000
Total	**1,839,700**

[1] Since 1 September 2020.
[2] Until 31 August 2020.

TABLE 038

Compliance

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

Compliance management system

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

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

Compliance culture

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

Compliance objectives

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

Compliance risks

Compliance risks arise when there is any kind of non-conformance with laws and regulations. The main focus at Südzucker is in the areas of antitrust laws, corruption and bribery prevention, capital market/reporting obligations and data security.

Compliance program

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

All of the company's divisions conduct regular training on compliance topics. In fiscal 2020/21 approximately 6,692 employees were trained throughout the company, representing about 90 % of the target group (salaried employees including management). In 2020, Südzucker expanded the e-learning program to include a mandatory multi-year training program on compliance basics, antitrust law, corruption and bribery prevention, IT security, data protection, capital market compliance, and fraud through identity forgery. It will be rolled out successively to other companies. On completion of the program, participants must complete and pass a final test.

Compliance organization

A groupwide compliance structure with clearly defined reporting paths for all operating companies and key departments forms the core of Südzucker's compliance organization. All reports of potential violations are tracked. The compliance officers of the main operating subsidiaries and / or the compliance officers of the Südzucker AG departments considered to be material submit case-related and periodic reports to the compliance officer and executive board of Südzucker AG. The executive board in turn regularly reports to the supervisory board and Südzucker AG's audit committee regarding compliance issues.

In addition, the company has set up a compliance committee that discusses fundamental and current issues at regular meetings.

Compliance communication

All employees were informed about Südzucker's code of conduct (→ www.suedzucker.de/en/Unternehmen/Verhaltenskodex/) and corporate compliance principles (→ www.suedzucker.de/en/Unternehmensgrundsaetze/). Posters are put up at the company sites to raise employee awareness of compliance principles during their day-to-day activities. Suspected violations of the code of conduct or the corporate compliance principles may be reported using a dedicated telephone number or email address, as well as via an Internet-based anonymous whistleblower program.

11 notifications were received through these channels in fiscal 2020/21. The allegations in these notifications proved unsubstantiated so no further legal action was taken.

Compliance monitoring and development

Südzucker's internal audit department carries out scheduled and ad hoc audits and thereby monitors adherence to all legal requirements and internal guidelines. In fiscal 2020/21, selected departments, such as purchasing or logistics, were also audited for corruption and fraud at 38 % of the production sites. No material violations of statutory regulations could be identified.

Südzucker AG is considered a so-called critical infrastructure operator and is thus subject to an audit of its information technology systems in accordance with the German Federal Office for Information Security Act (KRITIS audit). The audit did not report any negative findings.

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 2021, Südzucker's subscribed capital amounts unchanged 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), Ochsenfurt, 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 60.0 % 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 70.3 % 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 16 July 2020, 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 16 July 2020) 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 17 July 2024 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 2019). Subject to approval by the supervisory board and according to article 4, paragraph 4 of the articles of incorporation, the executive board may exclude subscription rights of shareholders in certain cases, provided the shares issued under exclusion of the subscription rights do not exceed 10 % of total share capital, neither at the time of the coming into force of this authorization, nor at the time of exercising same. Details are outlined in article 4, paragraph 4 of the articles of association. Authorized Capital 2019 has not been utilized to date.

Shareholders at the 18 July 2019 annual general meeting authorized the executive board to buy back up to 10 % of the company's total share capital existing at that time until 17 July 2024 in accordance with article 71, paragraph 1, item 8 of the German Stock Corporation Act (AktG). The shares may be acquired on the open stock market or via a public offer to purchase to all shareholders. The costs of buying back own shares may be charged against net retained earnings or other revenue reserves. The executive board was also authorized, subject to approval by the supervisory board, to sell the shares bought back to third parties and to exclude shareholder subscription rights in the case of corporate mergers or when purchasing companies or parts of companies or shares of companies. Details are provided in the authorization approved at the annual general meeting on 18 July 2019. To date, the board has not exercised the right granted to purchase own shares.

Change of control and compensation agreements

Südzucker AG has signed an agreement with a banking consortium providing access to a line of credit in the amount of € 600 million. In the event of a change of control, each member of the bank consortium would under certain conditions have the right to terminate the line of credit and its share of the outstanding loans, and demand immediate repayment of same, including interest. Other than that, there are no material agreements pursuant to articles 289a, paragraph 1, clause 1, item 8 and 315a, paragraph 1, clause 1, item 8 of the German Commercial Code that would be affected by a change of control resulting from a takeover offer. Compensation agreements with members of the executive board or in favor of employees that would come into effect in the event of a change of control do not exist either.

Details regarding the executive and supervisory board members' 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 of the Global Reporting Initiative (GRI) guideline, CORE, 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, 315c in conjunction with articles 289b to 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 and which are very likely to have or will have serious negative effects on the non-financial aspects pursuant to article 289c paragraph 2 of the German Commercial Code.

The non-financial statement provided for the group is equally applicable to Südzucker AG. All of the guidelines and the 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 of the group financial statements, 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 in accordance with ISAE 3000 (Revised).

A note from the independent public auditor after performing a limited assurance engagement on selected details of the non-financial report dated 28 February 2021 is reproduced in its entirety at the end of this annual report at the end of the section "Additional information" starting on page 207.

The non-financial group declaration in the group management report and the results of the audit form part of Südzucker AG's 2020/21 annual report. They are also accessible at Südzucker's website at www.suedzucker.de/en/investor-relations/publikationen/finanzberichte#2020/21.

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	–	About the group / Business model, Strategy, Sustainability / Sustainability strategy	23 ff
Sustainability	–	About the group / Sustainability	28
Materiality matrix	–	About the group / Sustainability /Materiality analysis	29
Environmental issues	Production process energy consumption and emissions	Environment / Climate protection / Energy use and emissions from our production plants	34 f
	Environmental issues logistics	Environment / Climate protection/ Suppy chain emissions	35 f
	Production water withdrawal and wastewater	Environment / Sustainable use and protection of water resources	37 f
	Production material waste	Environment / Avoiding and reducing environmental pollution / Waste	39
	Packaging	Environment / Avoiding and reducing environmental pollution / Packaging	39 f
	Environmental issues procurement / vendor selection	Environment / Protection of biodiversity and ecosystems	40 f
	Biodiversity	Environment / Protection of biodiversity and ecosystems / Promoting biodiversity	41
Employee issues	Respect for human rights at all production plants	Employees / Corporate responsibility Society/Respect for human rights	42 f 49
	Gender equality and diversity	Employees / Promoting diversity / Equality	43 f
	Training and personnel development	Employees / Südzucker – an attractive employer	45 f
	Workplace health and safety	Employees / Südzucker – a reliable employer	46 f
	Union rights, freedom of association and social dialogue	Employees / Dialogue with employee representatives and unions	48
	Social dialogue, general conditions such as existence of collective bargaining agreements	Employees / Dialogue with employee representatives and unions	48
Social issues	Social aspects of vendor selection / procurement	Society / Respect for human rights	49
	Product safety and consumer protection	Society / Product responsibility and quality	49
	Maintaining and creating value and jobs	Society / Value added in rural areas	50
	Dialogue with communities and consideration of local concerns	Society / Dialogue with various stakeholder groups, Social commitment	50 f
	Dialogue with political institutions, political lobbying	Society / Dialogue with various stakeholder groups	51
Human rights protection	Vendor selection / procurement	Society / Respect for human rights	49
	Respect for human rights at all production plants	Employees / Corporate responsibility Society/Respect for human rights	42 f 49
Bribery and corruption control	Vendor selection / procurement	Society / Respect for human rights	49
	Combating corruption and bribery	Corporate management and responsibility / Compliance	102 f

TABLE 039

Consolidated financial statements

STATEMENT OF COMPREHENSIVE INCOME

1 March 2020 to 28 February 2021

€ million	Notes	2020/21	2019/20	+/– in %
Income statement				
Revenues	(6)	**6,679.0**	**6,670.7**	**0.1**
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	–35.7	180.4	–
Other operating income	(8)	111.0	113.2	–1.9
Cost of materials	(9)	–4,355.5	–4,628.0	–5.9
Personnel expenses	(10)	–984.0	–978.4	0.6
Depreciation	(11)	–366.3	–363.9	0.7
Other operating expenses	(12)	–852.8	–897.1	–4.9
Result from companies consolidated at equity	(13)	–125.7	–48.9	> 100
Result from operations	(14)	**70.0**	**48.0**	**45.8**
Financial income	(15)	38.2	48.5	–21.2
Financial expense	(15)	–87.2	–87.6	–0.5
Earnings before income taxes		**21.0**	**8.9**	**> 100**
Taxes on income	(16)	–56.6	–63.4	–10.7
Net earnings	(18)	**–35.6**	**–54.5**	**–34.7**
of which attributable to Südzucker AG shareholders		–106.3	–121.5	–12.5
of which attributable to hybrid capital		12.6	13.0	–3.1
of which attributable to other non-controlling interests		58.1	54.0	7.6
Earnings per share (€)	(18)	**–0.52**	**–0.60**	**–13.3**

€ million	Notes	2020/21	2019/20	+/– in %
Statement of other comprehensive income				
Net earnings		**–35.6**	**–54.5**	**–34.7**
Market value of hedging instruments (cash flow hedge) after deferred taxes		–7.5	1.5	–
Revaluation not affecting income		10.9	–30.9	–
Realization resulting in a profit or loss		–17.9	32.4	–
Deferred taxes		–0.5	0.0	–
Exchange differences on net investments in foreign operations after deferred taxes		–16.3	8.7	–
Revaluation not affecting income		–22.1	11.0	–
Deferred taxes		5.8	–2.3	–
Foreign currency translation differences / hyperinflation		–75.9	–25.2	> 100
Share from companies consolidated at equity		–3.0	5.5	–
Income and expenses to be recognized in the income statement in the future	(19)	**–102.7**	**–9.5**	**> 100**
Market value of equity instruments (securities) after deferred taxes		0.0	0.4	–100.0
Revaluation not affecting income		0.0	0.5	–100.0
Deferred taxes		0.0	–0.1	–100.0
Remeasurement of defined benefit pension plans and similar obligations after deferred taxes	(27)	120.0	–159.4	–
Revaluation not affecting income		125.3	–166.7	–
Deferred taxes		–5.3	7.3	–
Share from companies consolidated at equity		0.7	–0.4	–
Income and expenses not to be recognized in the income statement in the future	(19)	**120.7**	**–159.4**	**–**
Other comprehensive result	(19)	**18.0**	**–168.9**	**–**
Comprehensive income		**–17.6**	**–223.4**	**–92.1**
of which attributable to Südzucker AG shareholders		–61.7	–281.6	–78.1
of which attributable to hybrid capital		12.6	13.0	–3.1
of which attributable to other non-controlling interests		31.5	45.2	–30.3

TABLE 040

Further disclosures regarding the statement of comprehensive income are outlined in notes (6) to (19) and (27) of the notes to the group consolidated financial statements.

CASH FLOW STATEMENT

1 March 2020 to 28 February 2021

€ million	Notes	2020/21	2019/20	+/− in %
Net earnings		−35.6	−54.5	−34.7
Depreciation and amortization of intangible assets, fixed assets and other investments (+)		375.5	369.7	1.6
Decrease (–) / Increase (+) in non-current provisions and (deferred) tax liabilities and increase (–) / decrease (+) in deferred tax assets		−32.2	−17.9	79.9
Other income (–) / expenses (+) not affecting cash		167.7	74.9	> 100
Cash flow		**475.4**	**372.2**	**27.7**
Decrease (–) / Increase (+) in current provisions		−1.7	−28.0	−93.9
Increase (–) / Decrease (+) in inventories, receivables and other current assets		−42.3	−207.3	−79.6
Decrease (–) / Increase (+) in liabilities (excluding financial liabilities)		49.4	18.1	> 100
Increase (–) / Decrease (+) in working capital		**5.4**	**−217.2**	**–**
Gain (–) / Loss (+) on disposal of items included in non-current assets and of securities		−0.3	0.2	–
I. Cash flow from operating activities		**480.5**	**155.2**	**> 100**
Investments in fixed assets and intangible assets (–)		−285.0	−335.3	−15.0
Investments in financial assets (–)		−14.6	−12.6	15.9
Total investments		**−299.6**	**−347.9**	**−13.9**
Cash received on disinvestments (+)		0.5	1.0	−50.0
Cash received on disposal of non-current assets (+)		20.2	6.6	> 100
Cash paid (–) / received (+) for the purchase / sale of other securities		76.8	64.2	19.6
II. Cash flow from investing activities		**−202.1**	**−276.1**	**−26.8**

€ million	Notes	2020/21	2019/20	+/– in %
Repayment (–)/Issuance (+) of commercial papers		0.0	100.0	–100.0
Repayment (–) of lease liabilities		–35.2	–31.2	12.8
Other repayment (–)/refund (+) of financial liabilities		–137.9	202.7	–
Repayment (–)/refund (+) of financial liabilities		**–173.1**	**271.5**	**–**
Increases in stakes held in subsidiaries (–)		–1.4	0.0	–
Dividends paid (–)		–97.2	–101.9	–4.6
III. Cash flow from financing activities		**–271.7**	**169.6**	**–**
Change in cash and cash equivalent (total of I., II. and III.)		**6.7**	**48.7**	**–86.2**
Change in cash and cash equivalents				
due to exchange rate changes		–8.0	1.0	–
due to changes in entities included in consolidation/other		1.4	0.0	–
Decrease (–)/Increase (+) in cash and cash equivalents		**0.1**	**49.7**	**–99.8**
Cash and cash equivalents at the beginning of the period		197.4	147.7	33.6
Cash and cash equivalents at the end of the period		**197.5**	**197.4**	**0.1**
Dividends received from companies consolidated at equity/other participations		23.6	18.0	31.1
Interest receipts	(20)	10.1	13.0	–22.3
Interest payments	(20)	–23.9	–24.4	–2.0
Income taxes paid	(20)	–50.9	–77.4	–34.2

TABLE 041

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

BALANCE SHEET

28 February 2021

€ million	Notes	28 February 2021	29 February 2020	+/– in %
Assets				
Intangible assets	(21)	947.2	1,001.2	–5.4
Fixed assets	(22)	2,983.2	3,060.7	–2.5
Shares in companies consolidated at equity	(23)	164.5	312.8	–47.4
Other investments	(23)	8.8	20.1	–56.2
Securities	(30)	19.4	19.6	–1.0
Other assets	(25)	11.4	14.7	–22.4
Deferred tax assets	(16)	74.7	74.4	0.4
Non-current assets		**4,209.2**	**4,503.5**	**–6.5**
Inventories	(24)	2,133.8	2,176.1	–1.9
Trade receivables	(25)	948.4	978.2	–3.0
Other assets	(25)	300.4	263.7	13.9
Current tax receivables	(16)	26.3	28.3	–7.1
Securities	(30)	185.8	267.5	–30.5
Cash and cash equivalents	(30)	197.5	197.4	0.1
Current assets		**3,792.2**	**3,911.2**	**–3.0**
Total assets		**8,001.4**	**8,414.7**	**–4.9**

€ million	Notes	28 February 2021	29 February 2020	+/– in %
Liabilities and shareholders' equity				
Equity attributable to shareholders of Südzucker AG		2,028.1	2,127.3	–4.7
Hybrid capital		653.7	653.7	0.0
Other non-controlling interests		881.9	891.5	–1.1
Total equity	(26)	**3,563.7**	**3,672.5**	**–3.0**
Provisions for pensions and similar obligations	(27)	880.9	1,001.8	–12.1
Other provisions	(28)	215.4	242.1	–11.0
Financial liabilities	(30)	1,437.5	1,429.1	0.6
Other liabilities	(29)	4.1	9.8	–58.2
Tax liabilities	(16)	9.0	13.3	–32.3
Deferred tax liabilities	(16)	135.9	146.1	–7.0
Non-current liabilities		**2,682.8**	**2,842.2**	**–5.6**
Other provisions	(28)	117.3	119.5	–1.8
Financial liabilities	(30)	476.0	625.1	–23.9
Trade payables	(29)	823.7	817.6	0.7
Other liabilities	(29)	314.2	322.6	–2.6
Current tax liabilities	(16)	23.7	15.2	55.9
Current liabilities		**1,754.9**	**1,900.0**	**–7.6**
Total liabilities and equity		**8,001.4**	**8,414.7**	**–4.9**
Net financial debt		1,510.8	1,569.7	–3.8
Equity ratio		44.5	43.6	
Net financial debt as % of equity (gearing)		42.4	42.7	

TABLE 042

Further disclosures regarding the balance sheet are outlined in notes (16) and (21) to (30) of the notes to the group consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1 March 2020 to 28 February 2021

€ million	Outstanding subscribed capital	Capital reserve	Other reserves
1 March 2019	**204.2**	**1,614.9**	**737.3**
Net earnings			−121.5
Other comprehensive income / loss before taxes			−160.2
Taxes on other comprehensive income			5.9
Comprehensive income			**−275.8**
Distributions			−40.8
Decrease in stakes held in subsidiaries / capital increase	0.0	0.0	0.0
Other changes			−26.4
29 February 2020	**204.2**	**1,614.9**	**394.3**
1 March 2020	**204.2**	**1,614.9**	**394.3**
Net earnings			−106.3
Other comprehensive income / loss before taxes			122.2
Taxes on other comprehensive income			−3.9
Comprehensive income			**12.0**
Distributions			−40.8
Own shares	0.0	0.0	0.0
Other changes			3.3
28 February 2021	**204.2**	**1,614.9**	**368.8**

Further disclosures on shareholders' equity are included in note (26) of the notes to the group consolidated financial statements.

Other equity accounts							
Market value of hedging instruments (cash flow hedge)	Exchange differences on net investments in foreign operations	Accumulated exchange differcences / hyper-inflation	Share from companies consolidated at equity	Equity of Südzucker shareholders	Hybrid capital	Other non-controlling interests	Total equity
0.0	**−7.8**	**−58.8**	**−13.7**	**2,476.1**	**653.7**	**888.6**	**4,018.4**
				−121.5	13.0	54.0	−54.5
2.3	11.0	−24.1	7.4	−163.6		−10.2	−173.8
−0.1	−2.3			3.5		1.4	4.9
2.2	**8.7**	**−24.1**	**7.4**	**−281.6**	**13.0**	**45.2**	**−223.4**
				−40.8	−13.0	−42.6	−96.4
				0.0	0.0	0.0	0.0
				−26.4		0.3	−26.1
2.2	**0.9**	**−82.9**	**−6.3**	**2,127.3**	**653.7**	**891.5**	**3,672.5**
2.2	**0.9**	**−82.9**	**−6.3**	**2,127.3**	**653.7**	**891.5**	**3,672.5**
				−106.3	12.6	58.1	−35.6
−7.8	−22.2	−49.0	−0.3	42.9		−24.9	18.0
−0.2	5.8			1.7		−1.7	0.0
−8.0	**−16.4**	**−49.0**	**−0.3**	**−61.7**	**12.6**	**31.5**	**−17.6**
				−40.8	−12.6	−38.3	−91.7
				0.0	0.0	0.0	0.0
				3.3		−2.8	0.5
−5.8	**−15.5**	**−131.9**	**−6.6**	**2,028.1**	**653.7**	**881.9**	**3,563.7**

TABLE 043

SEGMENT REPORT

€ million	2020/21	2019/20	+/– in %
Südzucker Group			
Gross revenues	**6,943.0**	**7,019.0**	**–1.1**
Consolidation	–264.0	–348.3	–24.2
Revenues	**6,679.0**	**6,670.7**	**0.1**
EBITDA	**597.6**	**478.3**	**24.9**
EBITDA margin	8.9 %	7.2 %	
Depreciation	–361.2	–361.9	–0.2
Operating result	**236.4**	**116.4**	**> 100**
Operating margin	3.5 %	1.7 %	
Result from restructuring / special items	–40.7	–19.5	> 100
Result from companies consolidated at equity	–125.7	–48.9	> 100
Result from operations	**70.0**	**48.0**	**45.8**
Investments in fixed assets [1]	285.0	335.3	–15.0
Investments in financial assets / acquisitions	14.6	12.6	15.9
Total investments	**299.6**	**347.9**	**–13.9**
Shares in companies consolidated at equity	164.5	312.8	–47.4
Capital employed	6,221.7	6,387.5	–2.6
Return on capital employed	3.8 %	1.8 %	
Employees	**17,876**	**19,188**	**–6.8**
Sugar segment			
Gross revenues	**2,370.3**	**2,407.9**	**–1.6**
Consolidation	–118.6	–150.7	–21.3
Revenues	**2,251.7**	**2,257.2**	**–0.2**
EBITDA	**32.5**	**–75.1**	**–**
EBITDA margin	1.4 %	–3.3 %	
Depreciation	–152.6	–160.6	–5.0
Operating result	**–120.1**	**–235.7**	**–49.0**
Operating margin	–5.3 %	–10.4 %	
Result from restructuring / special items	–30.4	–17.5	73.7
Result from companies consolidated at equity	–145.4	–65.6	> 100
Result from operations	**–295.9**	**–318.8**	**–7.2**
Investments in fixed assets [1]	121.8	104.0	17.1
Investments in financial assets / acquisitions	2.0	10.1	–80.2
Total investments	**123.8**	**114.1**	**8.5**
Shares in companies consolidated at equity	109.1	252.1	–56.7
Capital employed	2,685.3	2,814.7	–4.6
Return on capital employed	–4.5 %	–8.4 %	
Employees	**6,141**	**6,597**	**–6.9**

[1] Including intangible assets.

€ million	2020/21	2019/20	+/– in %
Special products segment			
Gross revenues	**2,572.0**	**2,525.6**	**1.8**
Consolidation	−84.6	−116.2	−27.2
Revenues	**2,487.4**	**2,409.4**	**3.2**
EBITDA	**322.6**	**306.2**	**5.4**
EBITDA margin	13.0 %	12.7 %	
Depreciation	−126.0	−116.0	8.6
Operating result	**196.6**	**190.2**	**3.4**
Operating margin	7.9 %	7.9 %	
Result from restructuring / special items	0.5	0.1	> 100
Result from companies consolidated at equity	19.4	16.5	17.6
Result from operations	**216.5**	**206.8**	**4.7**
Investments in fixed assets [1]	110.3	149.5	−26.2
Investments in financial assets / acquisitions	11.3	2.0	> 100
Total investments	**121.6**	**151.5**	**−19.7**
Shares in companies consolidated at equity	52.9	58.4	−9.4
Capital employed	2,242.4	2,267.4	−1.1
Return on capital employed	8.8 %	8.4 %	
Employees	**6,131**	**6,017**	**1.9**
CropEnergies segment			
Gross revenues	**833.1**	**899.2**	**−7.4**
Consolidation	−59.5	−80.2	−25.8
Revenues	**773.6**	**819.0**	**−5.5**
EBITDA	**148.4**	**146.1**	**1.6**
EBITDA margin	19.2 %	17.8 %	
Depreciation	−41.4	−42.2	−1.9
Operating result	**107.0**	**103.9**	**3.0**
Operating margin	13.8 %	12.7 %	
Result from restructuring / special items	0.9	−0.0	–
Result from companies consolidated at equity	0.3	0.2	50.0
Result from operations	**108.2**	**104.1**	**3.9**
Investments in fixed assets [1]	28.8	29.9	−3.7
Investments in financial assets / acquisitions	0.0	0.0	–
Total investments	**28.8**	**29.9**	**−3.7**
Shares in companies consolidated at equity	2.5	2.3	8.7
Capital employed	465.0	450.0	3.3
Return on capital employed	23.0 %	23.1 %	
Employees	**450**	**450**	**–**

[1] Including intangible assets.

€ million	2020/21	2019/20	+/– in %
Fruit segment			
Gross revenues	**1,167.6**	**1,186.3**	**–1.6**
Consolidation	–1.3	–1.2	8.3
Revenues	**1,166.3**	**1,185.1**	**–1.6**
EBITDA	**94.1**	**101.1**	**–6.9**
EBITDA margin	8.1 %	8.5 %	
Depreciation	–41.2	–43.1	–4.4
Operating result	**52.9**	**58.0**	**–8.8**
Operating margin	4.5 %	4.9 %	
Result from restructuring / special items	–11.7	–2.1	> 100
Result from companies consolidated at equity	0.0	0.0	–
Result from operations	**41.2**	**55.9**	**–26.3**
Investments in fixed assets [1]	24.1	51.9	–53.6
Investments in financial assets / acquisitions	1.3	0.5	> 100
Total investments	**25.4**	**52.4**	**–51.5**
Shares in companies consolidated at equity	0.0	0.0	–
Capital employed	829.0	855.4	–3.1
Return on capital employed	6.4 %	6.8 %	
Employees	**5,154**	**6,124**	**–15.8**

[1] Including intangible assets.

TABLE 044

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, Israel, Italy, Spain and the United Kingdom. The AGRANA Zucker division comprises sugar production in Austria, Romania, Slovakia, Czech Republic and Hungary as well as the Austrian sales company. 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), betaine producing Austrian joint venture Beta Pura GmbH 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 ethanol business with potato, corn and wheat starch production in Austria, cornstarch production in Romania and ethanol production in Austria. The starch division also includes the wheat starch plant at the Zeitz site, which is operated by the sugar segment division. The starch and ethanol activities of Hungrana Group in Hungary are consolidated at equity.

CropEnergies segment

The CropEnergies segment bundles the ethanol activities of Südzucker Group at the four production sites in Germany, Belgium, France and the United Kingdom, and conducts business as a publicly held company (Aktiengesellschaft). CropEnergies is a leading manufacturer of sustainably produced ethanol 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 also include items that influence earnings but are not attributable to the reporting period. Operating result serves as a basis for internal group management.

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 € 264.0 (348.3) 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	2020/21	2019/20
Operating result	**236.4**	**116.4**
Goodwill	834.1	852.1
Concessions, industrial and similar rights	225.7	261.7
Fixed assets	2,983.2	3,060.7
Non-interest bearing receivables	*1,230.3*	*1,232.5*
Inventories	*2,133.8*	*2,176.1*
./. Current provisions	*−117.3*	*−119.5*
./. Non-interest bearing liabilities	*−1,068.1*	*−1,076.1*
Working capital	2,178.7	2,213.0
Capital employed	**6,221.7**	**6,387.5**
Return on capital employed	**3.8 %**	**1.8 %**

TABLE 045

Information about the segmentation by country or region is provided below:

€ million	2020/21	2019/20
Carrying amount fixed and intangible assets (excluding goodwill)		
Germany	**1,000.1**	**1,013.4**
Belgium	484.6	481.7
France	276.6	276.7
Austria	520.7	557.4
Poland	120.9	125.9
Remaining EU	151.4	162.5
Other EU	**1,554.2**	**1,604.2**
UK	111.0	118.7
USA	269.7	299.4
Remaining countries	273.8	286.7
Other countries	**654.5**	**704.8**
Total	**3,208.9**	**3,322.4**

TABLE 046

Number of employees	28 February 2021	29 February 2020
Full-time equivalents		
Germany	4,059	4,159
Other EU	7,411	7,780
Other countries	6,406	7,249
Total	**17,876**	**19,188**

TABLE 047

The carrying amount on fixed and intangible assets (excluding goodwill) is allocated by country and the carrying amount of employees by region in which the subsidiaries of Südzucker Group are headquartered. As a general rule, information on the number of employees in the group by segment is presented under note (10) “Personnel expenses”. 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 16 July 2020, 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, United Kingdom, 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 2021 were prepared on 30 April 2021 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 6 May 2021, which are subsequently audited and approved by the supervisory board on 19 May 2021. The publication date of the consolidated financial statements including the management report (annual report) is 20 May 2021.

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 2020/21 financial year:

Standard		Passed by IASB	Adopted by the EU
IAS 1	Presentation of Financial Statements (amendment)	31.10.2018	29.11.2019
IAS 8	Accounting Policies, Changes in Accounting. Estimates and Errors. (amendment)	31.10.2018	29.11.2019
IAS 39 (amended 2019)	Financial Instruments: Recognition and Measurement (amendment)	26.09.2019	15.01.2020
IFRS 3	Business Combinations (amendment)	22.10.2018	21.04.2020
IFRS 7 (amended 2019)	Financial Instruments: Disclosures (amendment)	26.09.2019	15.01.2020
IFRS 9 (amended 2019)	Financial Instruments (amendment)	26.09.2019	15.01.2020
Miscellaneous	Conceptual Framework (itsellf not part of the EU endorsement process, but changes to the references within various IFRS)	29.03.2018	29.11.2019

TABLE 048

The amendments listed above, which were applicable for the first time, were not relevant in the 2020/21 fiscal year or had no effect on the presentation of the financial position and performance.

Future application of IFRSs and IFRIC

The following is a summary of the standards and interpretations that must be applied as of the 2021/22 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
IAS 1 Presentation of Financial Statements (amendment)	23.01.2020 or 15.07.2020 No	2023/24	The amendments clarify that the classification of liabilities as current or non-current should be based on rights to defer settlement by at least twelve months. Classification depends on the reporting entity's right and expectation. Given the postponement of first-time application, the amendments may become relevant from the 2023/24 financial year.
IAS 1 Presentation of Financial Statements (amendment)	12.02.2021 No	2023/24	The amendments require that only material accounting policies shall be disclosed in the notes to the financial statements in the future. Accounting policy information is material if it relates to material transactions or events and there is a reason to consider materiality. This means that in the future, the focus will be on company-specific disclosures instead of standardized disclosures. Südzucker expects that the disclosures on accounting policies and estimates will be reduced.
IAS 8 Accounting Policies, Changes in Accounting. Estimates and Errors (amendment)	12.02.2021 No	2023/24	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. For this purpose, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments may become relevant from the 2023/24 financial year.

Standard / Interpretation	Passed by IASB / Adopted by the EU	Mandatory application for Südzucker as of financial year	Content and, if relevant, expected impact on Südzucker
IAS 16 Property, plant and equipment (amendment)	14.05.2020 No	2022/23	The changes relate to proceeds before intended use of property, plant and equipment and amend the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, must be recognized in profit or loss. Regulations are assumed to be regularly not relevant.
IAS 37 Provisions, contingent liabilities and contingent assets (amendment)	14.05.2020 No	2022/23	The changes in onerous contracts (cost of fulfilling a contract) specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (depreciation of production facilities). The regulations become relevant when onerous contracts exist.
IAS 39 Financial Instruments: Recognition and Measurement	27.08.2020 13.01.2021	2021/22	The amendments arise from phase 2 of the Interest Rate Benchmark Reform and relate to the impact on financial reporting when existing interest benchmark rates are actually replaced. The amendments are not relevant for Südzucker.
IFRS 3 Business combinations (amendment)	14.05.2020 No	2022/23	The amendments update the reference to the 2018 Conceptual Framework, specify the scope of IAS 37 or IFRIC 21, and add the explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The changes may become relevant, but are immaterial.
IFRS 4 Insurance Contracts	25.06.2020 15.12.2020	2021/22	The standard is not relevant to Südzucker.
IFRS 4 Insurance Contracts	27.08.2020 13.01.2021	2021/22	See information about IAS 39 (amended 2020). The standard is not relevant to Südzucker.
IFRS 7 Financial Instruments: Disclosures	27.08.2020 13.01.2021	2021/22	See information about IAS 39 (amended 2020).
IFRS 9 Financial Instruments	27.08.2020 13.01.2021	2021/22	See information about IAS 39 (amended 2020).
IFRS 16 Leases	27.08.2020 13.01.2021	2021/22	See information about IAS 39 (amended 2020).
IFRS 16 Leases	28.05.2020 09.10.2020	2021/22	The COVID-19 pandemic has led to some lessors providing relief to lessees by deferring or relieving them of amounts that would otherwise be payable. The standard now includes exceptions for this case, in particular that it does not meet the definition of a lease modification. In February 2021, the IASB proposed to extend the application of the exemptions. As Südzucker does not make use of any relief as a lessee, the amendments are not relevant.
IFRS 17 Insurance Contracts	18.05.2017 or 25.06.2020 No	2021/22	The standard is not relevant to Südzucker.
Miscellaneous Annual Improvements to IFRS (Standards 2018 – 2020)	14.05.2020 No	2022/23	The amendment is not expected to have any impact on the presentation of the financial position and performance.

TABLE 049

(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. 140 (152) companies in addition to Südzucker AG were included in the consolidated financial statements at the balance sheet date. Ryssen Chile SpA, Lampa, Santiago de Chile, Chile was sold on 24 February 2021. The sale is unlikely to have any significant impact on the consolidated financial statements; the slight loss resulting from the sale is recorded under other operating expenses. Ten companies were merged and two were liquidated.

First-time consolidation of acquired companies

AGRANA Stärke GmbH, Vienna, Austria, acquired 100 % of the shares of Marroquin Organic International Inc. in Santa Cruz, USA, on 1 March 2020 and fully consolidated the company at the end of the second quarter of 2020/21. The US company with annual sales of about € 20 million and net earnings totaling about € 1 million distributes organic and non-GMO food ingredients.

The negative goodwill was recognized directly in other operating income.

Purchase price allocation Marroquin Organic International, Inc.

€ million	Fair values at acquisition date
Non-current assets	3.5
Inventories	4.4
Receivables and other assets	2.3
Cash and cash equivalents and securities	2.2
Current assets	8.9
Total assets	**12.4**
./. Non-current liabilities	0.0
./. Current liabilities	−0.9
Net assets (shareholders' equity)	**11.4**
Negative goodwill	−0.1
Purchase price	**11.3**

TABLE 050

Companies consolidated at equity

16 (16) companies were accounted for using the equity method. This applies to the joint ventures of Hungrana and AGRANA Studen Group, Beta Pura GmbH, CT Biocarbonic GmbH and Maxi S.r.l. as well as to the associate ED&F Man Holdings Limited. 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.

(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 immediately 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	28.02.2021	2020/21	29.02.2020	2019/20	28.02.2019
Egypt	EGP	19.13	18.31	17.05	18.36	19.95
Argentina	ARS	108.45	–	68.43	–	44.56
Australia	AUD	1.56	1.65	1.69	1.62	1.60
Brazil	BRL	6.66	6.20	4.92	4.48	4.27
Chile	CLP	869.67	904.39	900.24	804.97	741.43
China	CNY	7.84	7.90	7.67	7.73	7.63
United Kingdom	GBP	0.87	0.90	0.85	0.87	0.86
Mexico	MXN	25.29	25.13	21.64	21.37	21.91
Moldova	MDL	21.34	20.04	19.45	19.64	19.55
Poland	PLN	4.52	4.48	4.34	4.29	4.31
Romania	RON	4.88	4.85	4.81	4.75	4.74
Russia	RUB	90.67	86.13	73.61	71.43	75.09
Czech Republic	CZK	26.20	26.60	25.39	25.58	25.60
Ukraine	UAH	34.15	32.00	26.93	28.21	30.73
Hungary	HUF	361.43	355.02	337.57	328.05	315.96
USA	USD	1.21	1.16	1.10	1.11	1.14

TABLE 051

Intragroup loans for long-term financing of subsidiaries primarily represent a part of the net investment in these foreign operations; exchange rate fluctuations resulting from the year-end valuation are recognized directly in equity and reported in comprehensive income as a component of income and expense recognized directly in equity in the item “Exchange differences on net investments in foreign operations”.

Argentina has been considered hyperinflationary since mid-2018; the financial statements of subsidiaries located in Argentina have been adjusted accordingly since the third quarter of 2018/19 as outlined in IAS 29 (Financial Reporting in Hyperinflationary Economies).

The financial statements of Argentine subsidiaries were prepared based on the concept of historical cost. They are adjusted to reflect 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 2020/21 as follows:

	Change in % of index	
	2020/21	2019/20
March	3.3	4.7
April	1.5	3.4
May	1.5	3.1
June	2.2	2.7
July	1.9	2.2
August	2.7	4.0
September	2.8	5.9
October	3.8	3.3
November	3.2	4.3
December	4.0	3.7
January	4.0	2.3
February	3.7	1.9

TABLE 052

The application of IAS 29 negatively impacted the currency translation result as a component of the other financial result of € 0.8 (0.9) million.

(5) Accounting policies

The relevant accounting policies under IFRS are to be applied uniformly for similar transactions and other events in similar circumstances when preparing the consolidated financial statements of group companies. An explanation of the accounting policies is given only if the relevant standards provide accounting and measurement options or when the principles are specified in greater detail. In particular, the text of the respective standards is not repeated nor are the basic rules restated.

Intangible assets

Acquired goodwill is recognized on the balance sheet as part of intangible assets. Goodwill and intangible assets with indefinite useful lives are not amortized, but are subject to an impairment test (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. Lease accounting is not applied to intangible assets.

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 053

Leasing of property, plant and equipment

In accordance with IFRS 16, the lessee capitalizes all leases by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) on the balance sheet. The present value is determined based on the current incremental borrowing rate of interest with appropriate terms, unless the underlying interest rate for the lease payments is available. The right of use is regularly depreciated over the term of the lease. Unaccrued interest is added to the lease liability using the effective interest method and paid off through lease payments; the resulting interest expense is reported in the financial result. The right of use is subject to the impairment test in accordance with IAS 36 (Impairment of Assets).

Südzucker avails itself of the non-capitalization option for low-value assets and short-term leases. Intra-group leasing transactions are presented as operating leasing in the segment reporting.

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)". Shares in investment funds and loan-stock rights (cooperative shares) are allocated to the first category and, to a limited extent, other equity instruments intended to be held on a long-term basis are allocated to the second category. Securities are generally classified as current assets since these also serve as a liquidity reserve and are thus sold when required.

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. Where relevant, the expected future loss development is also considered. 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

The accounting of CO_2 emission rights includes the emission rights issued in the EU trading system (EU Allowances – EUA) as well as emission certificates issued by individual EU countries and traded locally, such as Green Certificates in Belgium.

EUA are recognized in accordance with IAS 38 (Intangible Assets), IAS 20 (Government Grants) and IAS 37 (Provisions). EUA 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 EUA 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.

"Green Certificates" issued by the government based on real-world energy generation from renewable raw materials are recognized in the amount of their recovery proceeds as a reduction in the cost of materials. This applies to energy generation for ethanol production at the Belgian location in Wanze, for instance.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash balances with financial institutions that have a remaining term of one to three months. Cash and cash equivalents in foreign currencies are assessed using closing rates 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 can be 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, mainly including bonds, 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 at a balance sheet date 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, without 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, which also means that the disclosure of performance obligations remaining only for the short term can be omitted.

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.

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. For more details, please refer to note (21) "Intangible assets".

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.

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 and based on the measurement of manufacturing costs – 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, e. g. for the beet payment and the derivation of sugar revenue-dependent beet costs at the balance sheet date.

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
2020/21					
Germany	688.6	466.9	207.7	127.5	1,490.7
Belgium	186.9	58.0	68.9	60.6	374.4
France	263.8	80.5	69.2	93.6	507.1
Austria	177.0	237.8	0.4	39.7	454.9
Poland	146.1	42.4	27.5	30.6	246.6
Other EU	613.9	416.7	163.8	111.6	1,306.0
EU	**2,076.3**	**1,302.3**	**537.5**	**463.6**	**4,379.7**
UK	24.5	370.0	192.4	36.0	622.9
USA	0.7	510.8	0.0	223.1	734.6
Other countries	150.2	304.3	43.7	443.6	941.8
Total	**2,251.7**	**2,487.4**	**773.6**	**1,166.3**	**6,679.0**
2019/20					
Germany	690.9	461.2	211.8	128.3	1,492.2
Belgium	172.6	65.1	100.6	76.2	414.5
France	272.6	79.3	60.3	88.2	500.4
Austria	168.7	242.9	0.3	40.5	452.4
Poland	146.9	41.5	23.3	27.5	239.2
Other EU	602.6	400.0	176.4	106.3	1,285.3
EU	**2,054.3**	**1,290.0**	**572.7**	**467.0**	**4,384.0**
UK	34.2	363.8	200.2	21.7	619.9
USA	1.9	458.2	0.0	214.5	674.6
Other countries	166.8	297.4	46.1	481.9	992.2
Total	**2,257.2**	**2,409.4**	**819.0**	**1,185.1**	**6,670.7**

TABLE 054

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

€ million	2020/21	2019/20
Change in work in progress and finished goods inventories		
Sugar segment	−56.7	135.4
Special products segment	20.8	22.0
CropEnergies segment	1.8	−8.4
Fruit segment	−8.1	25.5
Total segments	**−42.2**	**174.5**
Internal costs capitalized	6.5	5.9
Total	**−35.7**	**180.4**

TABLE 055

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 income

€ million	2020/21	2019/20
Foreign exchange and currency translation gains	27.8	23.8
Gain on sales of current and non-current assets	5.4	2.9
Income from derivatives	3.5	1.8
Reversal of bad debt allowances	1.1	5.2
Income from special items	3.4	13.9
Other income	69.8	65.6
Total	**111.0**	**113.2**

TABLE 056

Other income in the amount of € 69.8 (65.6) 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 € 3.4 (13.9) million included in particular income from the reversal of provisions due to settled legal disputes. In the previous year this item included mainly income from the sale of properties.

(9) Cost of materials

€ million	2020/21	2019/20
Cost of raw materials, consumables and supplies and of purchased merchandise	4,032.1	4,242.1
Cost of purchased services	323.4	385.9
Total	**4,355.5**	**4,628.0**

TABLE 057

Green Certificates issued by the government at the Wanze plant in Belgium based on real-world energy generation from renewable raw materials at the ethanol production factory are recognized in the amount of their recovery proceeds as a reduction in the item cost of raw materials, consumables and supplies, purchased merchandise and services within material expenditure. The quantity awarded depends on the amount of power sustainably generated from biomass during the respective reporting period. A government commitment for allocations beyond the reporting period until 2024 has already been received. As part of the decision to build another biomass power plant at this location, CropEnergies expects recovery proceeds to remain at the current level until at least 2038, assuming that the current capacity utilization and green electricity generation are maintained.

Comparable provisions involving the credit of Green Certificates apply to other production facilities that generate their own energy in Belgium, Poland and Romania. During the reporting period the corresponding recovery of proceeds from Green Certificates was € 21.3 (26.5) million in total; the majority of these were for the Belgian location in Wanze.

(10) Personnel expenses

€ million	2020/21	2019/20
Wages and salaries	772.1	767.2
Contributions to statutory old-age insurance	50.8	51.3
Social security, pension and welfare expenses	161.1	159.9
Total	**984.0**	**978.4**

TABLE 058

Of the total personnel expenses in the amount of € 984.0 (978.4) million, € 16.2 (2.9) million was reported in the result from restructuring and special items and, both in the current year and in the previous year, related predominantly to provisions for termination benefit plans in conjunction with the capacity adjustments in the sugar segment and the headcount reduction in administration. Also included are personnel expenses associated with regional restructuring measures resulting from ongoing cost reduction programs in the fruit segment.

Number of employees at balance sheet date and quarterly average (full-time equivalents)

	28 February 2021	2020/21 quarterly average	29 February 2020	2019/20 quarterly average
Sugar segment	6,141	6,602	6,597	7,156
Special products segment	6,131	6,137	6,017	6,053
CropEnergies segment	450	452	450	444
Fruit segment	5,154	5,469	6,124	6,070
Group	**17,876**	**18,660**	**19,188**	**19,723**

TABLE 059

The number of employees within the Group as of 28 February 2021 declined to 17,876 (19,188). The sugar segment recorded a decrease of 456 employees, particularly from the closure of four sugar factories following the 2019/20 campaign. The fruit segment noted a reduction primarily from the lower demand for seasonal workers in the fruit preparation business.

(11) Depreciation

€ million	2020/21	2019/20
Intangible assets	25.0	25.3
Fixed assets	336.0	334.6
Depreciation and amortization	**361.0**	**359.9**
Intangible assets	0.0	0.0
Fixed assets	5.6	4.2
Impairment losses including special items	**5.6**	**4.2**
Income from reversal of impairment losses	**−0.3**	**−0.2**
Net depreciation	**366.3**	**363.9**
thereof operating result	361.2	361.9
thereof result from restructuring/special items	5.1	2.0
Net depreciation	**366.3**	**363.9**
Impairment according to segments		
Sugar	3.6	3.8
Special products	0.0	0.0
CropEnergies	0.0	0.0
Fruit	2.0	0.4
Total	**5.6**	**4.2**

TABLE 060

Depreciation in the sugar segment of € 3.6 million resulted, among other things, from the closed sugar factories in France. The expenses of € 2.0 million in the fruit segment related in particular to the impairment of assets in the compound business at the fruit preparations location in Egypt. In fiscal 2019/20, the € 3.8 million in impairments in the sugar segment were due in part to the shutdown of a Moldovan sugar factory. In the fruit segment, the impairment losses of € 0.4 million concerned the closure of a Serbian location.

(12) Other operating expenses

€ million	2020/21	2019/20
Selling and advertising expenses	406.5	414.7
Operating and administrative expenses	264.1	284.3
Advertising expenses	26.4	30.0
Expenses due to restructuring / special items	21.3	28.4
Expenses from lease and service agreements	38.9	38.5
Losses on disposals of current and non-current assets	4.8	3.5
Bad debt allowances	2.0	3.9
Foreign exchange and currency translation losses	34.5	23.4
Expense from derivatives	1.4	4.2
Other taxes	27.9	29.7
Other expenses	25.0	36.5
Total	**852.8**	**897.1**

TABLE 061

Operating and administrative expenses in the amount of € 264.1 (284.3) million comprise items such as office, communication and travel expenses, consulting fees, fees and contributions, insurance premiums, employee training, employee benefits and outsourced maintenance and repair services.

Expenses from restructuring and special items of € 21.3 (28.4) million in the 2020/21 financial year mainly related to subsequent impacts of the sugar segment's factory closures in France, approved at the end of the 2018/19 financial year. The previous year's figure included in particular charges arising from the strike at the Cagny plant in France.

Other taxes in the amount of € 27.9 (29.7) million comprise taxes on income and property, excise tax and transport taxes. Other operating expenses totaling € 25.0 (36.5) 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 € –125.7 (–48.9) million includes the share of earnings from the joint ventures of Hungrana Group, AGRANA Studen Group, Beta Pura GmbH, CT Biocarbonic GmbH and Maxi S.r.l. as well as the associate ED&F Man Holdings Limited. The result was particularly affected by the negative result contribution of ED&F Man Holdings Limited in the sugar segment. Further information on the development of income from companies consolidated at equity is found under note (23) "Shares in companies consolidated at equity, other investments".

(14) Result from operations

€ million	2020/21	2019/20
Result from operations	**70.0**	**48.0**
thereof operating result	236.4	116.4
thereof result from restructuring / special items	−40.7	−19.5
thereof result from companies consolidated at equity	−125.7	−48.9

TABLE 062

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

(15) Financial income and expense

€ million	2020/21	2019/20
Interest income	9.7	13.4
Interest expense	−34.3	−41.0
Interest income and expense, net	**−24.6**	**−27.6**
Other financial income	28.5	35.0
Other financial expense	−52.9	−46.5
Other financial income and expense, net	**−24.4**	**−11.5**
Financial expense, net	**−49.0**	**−39.1**
thereof financial income	38.2	48.5
thereof financial expense	−87.2	−87.6

TABLE 063

The interest expense improved to € −24.6 (−27.6) million. The net interest expense also contains the net expense from compounding the provisions for pensions and similar obligations totaling € 9.8 (15.6) million and the expense from compounding other non-current provisions and liabilities of € 0.5 (0.8) million as well as from the accrual of interest on leasing liabilities of € 3.5 (3.5) million.

The other financial result amounted to € −24.4 (−11.5) million. A negative currency result of € −9.8 (−8.5) million weighed on this and was primarily attributable to the weakening of the US-Dollar and East-European currencies. 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 of 2018/19; this increased currency losses by € 0.8 (0.9) million. The write-down of a minority interest in a French sugar factory which was sold at the end of the 2020/21 financial year led to a significant increase in other financial result. In the previous year, the other financial result also included – in addition to income from the reversal of provisions for income tax-related fringe benefits – expenses from the write-down of the minority interest in this French sugar factory.

(16) Taxes on income

The tax expense of € 56.6 (63.4) million is comprised of current taxes paid or payable and deferred tax expense / income as follows:

€ million	2020/21	2019/20
Current taxes	62.2	73.0
Deferred taxes	−5.6	−9.6
Taxes in income	**56.6**	**63.4**

TABLE 064

The unchanged projected theoretical tax expense of 29.1 % for fiscal 2020/21 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	2020/21	2019/20
Earnings before taxes on income	21.0	8.9
Theoretical tax rate	29.1 %	29.1 %
Theoretical tax expense (+)	**6.1**	**2.6**
Change in theoretical tax expense as a result of:		
Different tax rates	−10.7	−7.9
Tax reduction for tax-free income	30.6	8.4
Tax increase for non-deductible expenses	14.4	15.5
Tax effects from prior periods	−6.9	−3.6
Tax effects from the recognition and measurement of capitalized losses carried forward and temporary differences	16.8	43.7
Other	6.3	4.7
Taxes on income	**56.6**	**63.4**
Effective tax rate	**–**	**–**

TABLE 065

Following earnings before income taxes of € 21.0 (8.9) million, taxes on income were € 56.6 (63.4) million.

The substantial increase in the item tax reduction on tax-free income is attributable to the negative result of ED&F Man accounted for using the equity method.

In the current business year and in the previous year, the item “tax effects from the measurement and recognition of tax loss carry forwards and temporary differences” included particularly operating losses in the sugar segment, for which there was mainly no recognition of deferred taxes.

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. Active deferred taxes are recognized in cases where realization of respective tax benefits is probable. This value assessment is based on internal company forecasts relating to the future earnings development of the respective entity. Based on the forecasts made, we assume that the companies in the sugar segment will recover their earnings in the medium term. Deferred tax assets of € 61.2 (57.6) million were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 307.7 (313.1) 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, € 306.0 (305.8) million do not expire; of the remaining amount totaling € 1.7 (7.3) million, a large share will expire within a period of up to seven years.

No deferred tax liabilities were recognized in relation to investments in subsidiaries totaling € 55.2 (52.8) million, since such gains are intended to be reinvested indefinitely and a reversal of these differences is thus not anticipated.

Deferred taxes had no overall impact on income and expenses recognized directly in equity in the reporting year, following an increase of € 4.9 million in income and expenses recognized directly in equity in the previous year.

In addition, € 5,2 (5.3) million 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	
28/29 February	2021	2020	2021	2020
Fixed assets and intangible assets	11.2	9.1	203.9	215.0
Inventories	9.1	12.0	38.9	31.5
Other assets	2.6	2.5	4.2	8.7
Tax-free reserves	0.0	0.0	31.1	34.4
Provisions	109.0	112.0	9.7	8.8
Liabilities	36.8	35.7	3.3	2.2
Tax loss carry forwards	61.2	57.6	0.0	0.0
	229.9	**228.9**	**291.1**	**300.6**
Offsets	−155.2	−154.5	−155.2	−154.5
Balance sheet	**74.7**	**74.4**	**135.9**	**146.1**
thereof non-current	**46.2**	**46.9**	**114.4**	**125.0**

TABLE 066

Current tax assets reported as of 28 February 2021 decreased slightly to € 26.3 (28.3) million and comprise mainly tax prepayments.

Non-current tax liabilities in the amount of € 9.0 (13.3) million primarily comprise income taxes for prior year periods that have not yet been conclusively audited.

Current tax liabilities of € 23.7 (15.2) 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 carried out by 468 (453) employees. Research and development costs amounted to € 48.3 (46.3) million and were fully recognized as an expense.

(18) Earnings per share

€ million	2020/21	2019/20
Net earnings of the year	**−35.6**	**−54.5**
of which attributable to shareholders of Südzucker AG	−106.3	−121.5
Time-weighted average number of shares outstanding	204,183,292	204,183,292
Earnings in € per share[1]	**−0.52**	**−0.60**

[1] Undiluted / diluted.

TABLE 067

The earnings per share calculation (IAS 33) is based on the time-weighted average of 204.2 million shares outstanding. Earnings per share came in at € −0.52 (−0.60). There was no dilution of earnings per share.

(19) Other comprehensive income

Other comprehensive income totaling € 18.0 (−168.9) million includes income and expenses recognized directly in equity of Südzucker shareholders and other non-controlling interests.

The income and expenses of € −102.7 (−9.5) 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 € −75.9 (−25.2) million are largely attributable to the weaker US dollar, Polish zloty, Ukrainian hrywnja and the Russian ruble. Last year foreign currency differences were in particular the result of weaker Argentine and Chilean peso, Polish zloty and Hungarian forint, compared to a stronger US dollar and Ukrainian hrywnja.

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 € 120.0 (−159.4) million. The alignment of the discount rate to 1.45 (1.00) % as of 28 February 2021, and the trends in salaries and pensions to 2.00 (2.50) % and 1.30 (1.50) %, respectively, for material pension plans as of 28 February 2021, resulted in a positive impact on equity in the reporting year. Last year in particular changes to the discount rate burdened equity.

NOTES TO THE CASH FLOW STATEMENT

(20) 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 over the medium term and to isolate the strong seasonal fluctuations of working capital throughout the quarters. The latter is a special feature of the Südzucker business model with seasonal campaign operations existing in different segments (e. g. sugar).

Cash flow
Cash flow reached € 475.4 million compared to € 372.2 million the year prior.

The recognized cash flow comprises net earnings, depreciation of non-current assets including financial 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 which primarily comprise the non-cash results of investments accounted for using the equity method. 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 2020/21 financial year corresponded to 7.1 (5.6) % of the group's consolidated revenues.

Change in working capital
The cash inflow from the decrease in working capital amounted to € 5.4 million – following a cash outflow from the increase in working capital of € – 217.2 million the year before – and resulted in particular from a decrease in inventories in the sugar segment and a decrease in trade receivables. Both items showed an improvement in the previous year, in contrast.

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 € 285.0 (335.3) million. In the sugar segment, investments totaling € 121.8 (104.0) million were again mainly allocated toward replacement spending and investments in the electronics and automation sector and the compliance with legal and regulatory requirements. In the special products segment, investments totaling € 110.3 (149.5) million were mainly allocated to expanding and optimizing plant capacity at BENEO and Freiberger; the year-on-year decline is mainly due to the completion of major projects in recent years – such as the wheat starch plant in Pischelsdorf, Austria – in the starch division. The CropEnergies segment invested € 28.8 (29.9) million to replace production facilities, to increase their capacity or to improve their efficiency. Investments of € 24.1 (51.9) million in the fruit segment were primarily for replacement and maintenance expenditures and capacity expansion in the fruit preparations division.

Investments in financial assets

Investments in financial assets of € 14.6 (12.6) million mainly related to AGRANA Stärke GmbH's acquisition of Marroquin Organic International Inc. in Santa Cruz, USA. The trading company, which specializes in organic products, serves B2B customers and purchases a large part of its product portfolio from AGRANA Stärke. Last year, investments in financial assets primarily concerned the 50 % joint venture Beta Pura GmbH, Vienna, Austria, which started production in August 2020, and the increase in the stake in Collaborative Packing Solutions [Pty] Ltd, Johannesburg, South Africa, from 40 % to 75 %.

Decrease (–) / Increase (+) from financing activities

Increases / decreases in stakes and capital increase / redemption

The cash outflows from increases in stakes totaling € –1,4 (0.0) million in the current business year related mainly to share purchases in the fully consolidated subsidiary Südzucker Polska S.A., Breslau, Poland.

Dividends paid

Dividends paid throughout the group in the financial year just ended totaled € 97.2 (101.9) million and included € 40.8 (40.8) million paid out to Südzucker AG's shareholders and € 56.4 (61.1) million to minority interests.

Financing and repayment of financing

In the 2020/21 financial year, bank credit lines of € 137.9 million were repaid; in the previous year, the additional borrowing totaled € –202.7 million. The issuance of commercial papers of € 330.0 million as of 28 February 2021 was in line with the issuance at the end of the previous year.

The repayment from leasing liabilities amounted to € 35.2 (31.2) million.

Income taxes paid, interest payments and dividends received

Income taxes paid

The balance of income taxes paid amounted to € 50.9 (77.4) 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
2020/21			
Acquisition costs			
1 March 2020	2,001.4	492.2	2,493.6
Change in companies incl. in the consolidation and other changes	0.0	2.7	2.7
Changes due to currency translation	−18.0	−26.2	−44.2
Additions	0.0	5.5	5.5
Transfers	0.0	1.5	1.5
Disposals	0.0	−1.6	−1.6
28 February 2021	1,983.4	474.1	2,457.5
Amortization and impairment losses			
1 March 2020	−1,261.9	−230.5	−1,492.4
Change in companies incl. in the consolidation and other changes	0.0	0.7	0.7
Changes due to currency translation	0.0	4.8	4.8
Amortization for the year	0.0	−25.0	−25.0
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	0.0	1.6	1.6
Reversals of impairment losses	0.0	0.0	0.0
28 February 2021	−1,261.9	−248.4	−1,510.3
Net carrying amount 28 February 2021	**721.5**	**225.7**	**947.2**

€ million	Goodwill	Concessions, industrial and similar rights	Total
2019/20			
Acquisition costs			
1 March 2019	1,992.1	476.9	2,469.0
Change in companies incl. in the consolidation and other changes	2.0	0.1	2.1
Changes due to currency translation	7.3	9.1	16.4
Additions	0.0	6.2	6.2
Transfers	0.0	2.0	2.0
Disposals	0.0	−2.1	−2.1
29 February 2020	2,001.4	492.2	2,493.6
Amortization and impairment losses			
1 March 2019	−1,261.9	−206.4	−1,468.3
Change in companies incl. in the consolidation and other changes	0.0	0.0	0.0
Changes due to currency translation	0.0	−0.9	−0.9
Amortization for the year	0.0	−25.3	−25.3
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	0.0	2.1	2.1
Reversals of impairment losses	0.0	0.0	0.0
29 February 2020	−1,261.9	−230.5	−1,492.4
Net carrying amount 29 February 2020	**739.5**	**261.7**	**1,001.2**

TABLE 068

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 7.0 (7.0) % 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 of 0.6 (0.5) % 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 2020. The cost of capital before tax reflects the still very low interest rate from German Government Bonds. In consideration of the ECB inflation expectations, which influences the anticipated growth rate as well, an increase is expected in the medium term.

€ million	Goodwill		Weight average cost of capital	
28/29 February	2021	2020	2020/21	2019/20
CGU Sugar	106.8	107.0	6.9 %	6.5 %
CGU Freiberger	358.4	376.2	5.1 %	5.3 %
CGU BENEO	84.9	84.9	6.3 %	6.5 %
CGU PortionPack	43.8	43.8	5.6 %	5.8 %
CGU Fruit	127.6	127.6	6.8 %	6.8 %
	721.5	**739.5**	–	–

TABLE 069

In fiscal 2020/21, the impairment test for goodwill did not result in any need for impairment, with the value in use of the CGUs exceeding their carrying amounts.

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. Moreover, assumptions and planning are subject to increased uncertainty due to the Corona pandemic.

At the measurement date the values in use of all CGUs were significantly higher than the carrying amounts of goodwill. As a result of these surpluses, the 10 % reduction of the planned sustainable cash flows expected in a sensitivity analysis or a 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.

Estimates regarding the development of EU beet cultivation, sugar production and sugar consumption are the most important planning assumptions for the sugar CGU, which is currently in a loss-making phase. The sugar price trend and strengthening of the cost structure determine the CGU’s competitiveness and profitability. Based on the current estimates on the market and earnings development of the sugar CGU, its surplus coverage was verified again as of 28 February 2021. Given the declining results in the past financial year and the adjusted planning assumptions, the same also applies to the fruit CGU.

With the Corona pandemic vaccination campaign starting worldwide, we do not expect any long-term negative impact on business activities for all CGUs. Südzucker considered the potential short-term risks in the earnings expectations for fiscal 2021/22.

(22) Property, plant and equipment (including leasing)

Acquired 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
2020/21					
Acquisition costs					
1 March 2020	2,159.5	5,504.3	495.1	243.5	8,402.4
Change in companies incl. in the consolidation and other changes	0.1	−2.8	0.1	0.9	−1.7
Changes due to currency translation	−26.0	−42.2	−6.2	−1.8	−76.2
Additions	28.0	126.3	22.0	103.2	279.5
Transfers	33.1	163.2	4.0	−201.8	−1.5
Disposals	−17.5	−81.4	−26.4	−0.3	−125.6
28 February 2021	2,177.2	5,667.4	488.6	143.7	8,476.9
Depreciation and impairment losses					
1 March 2020	−1,109.2	−3,988.3	−366.2	−0.3	−5,464.0
Change in companies incl. in the consolidation and other changes	−0.4	−1.1	0.0	0.0	−1.5
Changes due to currency translation	12.1	30.0	4.4	0.0	46.5
Depreciation for the year	−51.7	−217.6	−33.4	0.0	−302.7
Impairment losses including special items	−1.9	−3.6	−0.1	0.0	−5.6
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	13.9	76.0	21.0	0.0	110.9
Reversals of impairment losses	0.2	0.1	−0.1	0.0	0.2
28 February 2021	−1,137.0	−4,104.5	−374.4	−0.3	−5,616.2
Net carrying amount 28 February 2021	**1,040.1**	**1,562.8**	**114.4**	**143.4**	**2,860.7**

Leased 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
2020/21					
1 March 2020	88.6	19.8	13.6	0.3	122.3
Additions	28.1	3.8	2.6	2.0	36.5
Depreciation for the year	−21.5	−6.9	−4.9	0.0	−33.3
Changes due to currency translation	−1.8	−0.1	−0.1	0.0	−2.0
Impairment losses including special items	0.0	0.0	0.0	0.0	0.0
Disposals	−0.7	−0.1	0.0	0.0	−0.8
Change in companies incl. in the consolidation and other changes	−0.2	0.0	0.0	0.0	−0.2
Net carrying amount 28 February 2021	**92.5**	**16.5**	**11.2**	**2.3**	**122.5**
Total net carrying amount of property, plant and equipment	**1,132.6**	**1,579.3**	**125.6**	**145.7**	**2,983.2**

TABLE 070

The investments are reduced by government grants totaling € 1.9 (0.0) million. As in the previous year, no borrowing costs were recognized.

Exchange-related differences in the amount of € −31.7 million in the 2020/21 financial year were primarily due to the weaker US dollar, Polish zloty, Ukrainian hrywnja and the Russian ruble. The prior year's exchange-related differences in the amount of € −26.5 million were largely attributable to the weaker Argentine and Chilean peso, Polish zloty and Hungarian forint compared to a stronger US dollar and Polish zloty, Argentine and Chilean peso compared to a stronger US dollar and Ukrainian hrywnja.

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".

Südzucker uses leasing in storage and logistics and agricultural operations when leasing agricultural land. There are frequently annual renewable options for leases on agricultural land. There are also long-term lease contracts for buildings in administration and production. The total lease payments were € 41.2 (38.3) million, € 35.2 (31.2) million of which come from fixed and € 0.0 (0.3) million of which result from variable payments, as well as € 5.9 (6.8) million from the costs of short-term and low value leases.

The weighted average incremental borrowing rate as of 28 February 2021 for the recognition of leasing liabilities was 2.8 (2.6) %.

Acquired 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
2019/20					
Acquisition costs					
1 March 2019	2,128.3	5,421.7	478.3	183.2	8,211.5
Change in companies incl. in the consolidation and other changes	0.1	0.3	−0.3	0.1	0.2
Changes due to currency translation	−16.7	−33.5	−1.5	−1.8	−53.5
Additions	27.9	121.9	32.7	146.5	329.0
Transfers	26.2	49.6	5.7	−84.0	−2.5
Disposals	−6.3	−55.7	−19.8	−0.5	−82.3
29 February 2020	2,159.5	5,504.3	495.1	243.5	8,402.4
Depreciation and impairment losses					
1 March 2019	−1,063.2	−3,844.6	−352.5	−0.4	−5,260.7
Change in companies incl. in the consolidation and other changes	0.3	1.2	0.1	0.0	1.6
Changes due to currency translation	5.6	20.2	0.9	0.0	26.7
Depreciation for the year	−53.1	−216.6	−33.3	0.0	−303.0
Impairment losses including special items	−2.8	−1.4	0.0	0.0	−4.2
Transfers	0.1	0.2	−0.2	0.0	0.1
Disposals	3.9	52.6	18.7	0.1	75.3
Reversals of impairment losses	0.0	0.1	0.1	0.0	0.2
29 February 2020	−1,109.2	−3,988.3	−366.2	−0.3	−5,464.0
Net carrying amount 29 February 2020	**1,050.3**	**1,516.0**	**128.9**	**243.2**	**2,938.4**

Leased 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
2019/20					
1 March 2019	96.6	26.1	9.2	0.0	131.9
Additions	10.0	2.4	9.1	0.3	21.8
Depreciation for the year	−18.9	−8.0	−4.7	0.0	−31.6
Changes due to currency translation	0.3	0.0	0.0	0.0	0.3
Transfers	0.4	0.0	0.0	0.0	0.4
Impairment losses including special items	0.0	0.0	0.0	0.0	0.0
Disposals	−0.2	−0.6	0.0	0.0	−0.8
Change in companies incl. in the consolidation and other changes	0.4	−0.1	0.0	0.0	0.3
Net carrying amount 29 February 2020	**88.6**	**19.8**	**13.6**	**0.3**	**122.3**
Total net carrying amount of property, plant and equipment	**1,138.9**	**1,535.8**	**142.5**	**243.5**	**3,060.7**

TABLE 071

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

Shares in companies consolidated at equity

€ million	2020/21	2019/20
1 March	**312.8**	**389.9**
Change in companies incl. in the consolidation and other changes	17.5	−25.9
Changes due to currency translation	−19.2	6.0
Additions	2.1	8.0
Share of profits	−125.7	−48.9
Transfers	0.0	0.0
Disposals/dividends	−23.0	−16.3
Impairment losses including special items	0.0	0.0
Reversals of impairment losses	0.0	0.0
28/29 February	**164.5**	**312.8**

TABLE 072

The companies consolidated at equity comprise the stakes in ED&F Man Holdings Limited, London, United Kingdom, AGRANA Studen Group, Vienna, Austria, Beta Pura GmbH, Vienna, Austria and the sales joint venture Maxi S.r.l., Bolzano, Italy in the sugar segment, the stake in Hungrana Group, Szabadegyháza, Hungary in the special products segment, and the stake in CT Biocarbonic GmbH, Zeitz in the CropEnergies segment.

The following is a summary of the financial position and performance of joint ventures with the largest share attributable to Hungrana Group:

28/29 February	2021			2020		
€ million	Total	Hungrana Group	Other	Total	Hungrana Group	Other
Non-current assets	185.9	107.3	78.6	181.8	113.5	68.3
Inventories	114.3	53.5	60.8	99.2	50.9	48.3
Receivables and other assets	87.0	32.6	54.5	92.1	32.1	59.9
Cash, cash equivalents and securities	8.8	1.0	7.8	17.6	4.9	12.7
Current assets	210.1	87.0	123.1	208.9	87.9	120.9
Total assets	**396.0**	**194.3**	**201.7**	**390.7**	**201.5**	**189.2**
Equity	152.2	104.8	47.4	163.4	115.9	47.5
External financial liabilities	19.5	0.3	19.2	13.5	0.8	12.7
Other liabilities	8.2	1.7	6.5	6.6	1.8	4.8
Non-current liabilities	27.8	2.0	25.7	20.1	2.6	17.5
External financial liabilities	98.2	49.0	49.2	94.5	53.6	40.9
Other liabilities	117.9	38.4	79.4	112.7	29.4	83.3
Current liabilities	216.1	87.4	128.6	207.2	83.0	124.2
Total liabilities and equity	**396.0**	**194.3**	**201.7**	**390.7**	**201.5**	**189.2**
Revenues	566.6	287.2	279.4	612.9	287.1	325.8
Depreciation	−18.4	−13.1	−5.3	−16.4	−12.5	−3.9
Other expenses	−503.5	−228.7	−274.8	−550.7	−235.0	−315.8
Result from operations	**44.7**	**45.4**	**−0.7**	**45.8**	**39.7**	**6.1**
Interest income	0.1	0.0	0.1	0.1	0.0	0.1
Interest expense	−1.7	−0.7	−1.0	−1.4	−0.7	−0.7
Other financial expense	−0.8	−0.3	−0.6	−0.9	−1.7	1.0
Earnings before income taxes	**42.2**	**44.4**	**−2.2**	**43.7**	**37.2**	**6.5**
Taxes on income	−4.9	−5.6	0.7	−5.9	−4.6	−1.4
Net earnings	**37.3**	**38.8**	**−1.5**	**37.8**	**32.7**	**5.1**
Income and expenses recognized in other comprehensive income	−6.8	−7.9	1.1	−7.5	−8.4	0.9
Comprehensive income	**30.6**	**30.9**	**−0.4**	**30.3**	**24.3**	**6.0**

TABLE 073

ED&F Man Holdings Limited

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. 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 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	2020	2019
Non-current assets		607.3	713.9
Current assets		19,069.3	23,790.4
Total assets		**19,676.6**	**24,504.3**
Equity		272.3	483.3
Non-current liabilities		1,497.9	665.1
Current liabilities		17,906.4	23,355.9
Total liabilities and equity		**19,676.6**	**24,504.3**
Revenues		5,479.0	6,852.5
– other expenses		−5,703.5	−7,060.8
= Net earnings		−224.5	−208.3
Income and expenses recognized in other comprehensive income		11.9	20.5
Comprehensive income		**−212.6**	**−187.8**

TABLE 074

Although ED&F Man continued to report a profitable trading business in 2020, charges arose from the Corona-related delays in the implementation of the strategic realignment which resulted in a further net loss for the year of € −224.5 (−208.3) million. ED&F Man has now been able to gain the necessary time for the strategic realignment thanks to the three-year extension of the current financing secured in September 2020.

The income and expenses neutrally recognized in equity of € 11.9 (20.5) million and are largely attributable to foreign currency translation. The year-on-year reduction relates to the weakening of the US dollar against the euro.

In fiscal 2020/21, the carrying amount of the investment in ED&F Man was impaired, in particular with regard to the goodwill attributable, which was reflected in income from companies accounted for using the equity method. Together with the pro-rated net loss for the year, the carrying amount of all investments in companies accounted for using the equity method decreased to € 164.5 (312.8) 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:

28/29 February	2021		2020	
€ million	ED&F Man Group	Hungrana Group	ED&F Man Group	Hungrana Group
Equity	272.3	104.8	483.3	115.9
+/− Adjustments (in substance other minority interests)	−34.6	−0.0	6.9	0.0
= Equity attributable to shareholders	**237.7**	**104.8**	**490.2**	**115.9**
thereof Südzucker-share in equity	*81.7*	*52.4*	*169.4*	*58.0*
+ Goodwill	0.0	0.4	55.0	0.4
= Shares in companies consolidated at equity (carrying amount)	**81.7**	**52.8**	**224.4**	**58.4**
Dividends paid to Südzucker	0.0	21.0	0.0	14.0

TABLE 075

Other investments of € 8.8 (20.1) million comprise also subsidiaries, joint ventures and associated companies that are not included in consolidation due to their relative insignificance. The significant decrease in other investments is mainly due to the sale of the minority interest in a French sugar factory.

(24) Inventories

€ million 28/29 February	2021	2020
Raw materials and supplies	506.4	480.1
Work in progress and finished goods		
Sugar segment	1,073.3	1,144.1
Special products segment	304.7	284.7
CropEnergies segment	42.4	40.7
Fruit segment	146.0	161.4
Total of work in progress and finished goods	1,566.4	1,630.9
Merchandise	61.0	65.1
Total	**2,133.8**	**2,176.1**

TABLE 076

Inventories totaled € 2,133.8 (2,176.1) million, down € 42.3 million from the previous year. This was primarily the result of lower inventories in the sugar segment due to the decline in sugar production.

Write-downs in the amount of € 6.2 million were required on inventories in the sugar segment as of 28 February 2021 and were largely attributable to lower net disposal proceeds. Write-downs as of 29 February 2020 had the opposite effect on the lower net disposal proceeds of € 19.3 million, which were realized from sales in the 2020/21 fiscal year.

In addition, write-downs totaling € 2.6 (2.3) million were necessary in the special products segment and € 3.2 (1,8) million in the fruit segment.

Write-downs of net disposal proceeds in the sugar segment totaling € 0.1 (0.2) million were also necessary on merchandise inventories as of 28 February 2021. In the special products segment, write-downs of € 0.1 (0.1) were necessary.

(25) Trade receivables and other assets

€ million		Remaining term			Remaining term	
28/29 February	2021	to 1 year	over 1 year	2020	to 1 year	over 1 year
Trade receivables	**948.4**	**948.4**	**0.0**	**978.2**	**978.2**	**0.0**
Receivables due from the EU	**0.1**	0.1	0.0	**0.1**	0.1	0.0
Positive market value derivatives	**16.4**	16.4	0.0	**11.6**	11.6	0.0
Remaining financial assets	**73.1**	61.7	11.4	**52.9**	40.5	12.4
Other financial assets	**89.6**	78.2	11.4	**64.6**	52.2	12.4
Other taxes recoverable	**128.5**	128.5	0.0	**146.8**	146.8	0.0
Remaining non-financial assets	**93.7**	93.7	0.0	**67.0**	64.7	2.3
Non-financial assets	**222.2**	222.2	0.0	**213.8**	211.5	2.3
Other assets	**311.8**	**300.4**	**11.4**	**278.4**	**263.7**	**14.7**

TABLE 077

At € 948.4 (978.2) million, trade receivables were lower than the previous year.

Remaining financial assets totaling € 73.1 (52.9) million primarily concern financial receivables from non-consolidated companies, investments and employees and other third parties.

Remaining non-financial assets of € 93.7 (67.0) 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	28/29 February	2021	2020
Total trade receivables		960.6	992.2
Value adjusted		−12.2	−14.0
Net carrying amount		**948.4**	**978.2**

TABLE 078

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 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 the past due status of the receivables and the division concerned (portfolio-based impairment). Where relevant, the expected future loss development is also considered.

Overall, bad debt allowances on trade receivables developed as follows:

€ million	2020/21	2019/20
1 March	**14.0**	**17.5**
Change in companies incl. in the consolidation/currency translation/other changes	−0.3	−0.1
Additions	2.0	3.9
Use	−2.4	−2.1
Reversal	−1.1	−5.2
28/29 February	**12.2**	**14.0**

TABLE 079

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables that were not subject to individual allowances totaled € 948.4 (978.2) million; € 869.4 (893.6) 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:

28/29 February	2021		2020	
	€ million	Default rate	€ million	Default rate
Receivables not past due before allowances	869.4	< 0.1 %	893.6	< 0.1 %
Past-due receivables without specific-debt allowances	79.0	–	84.6	–
of which up to 30 days	58.3	0.3 %	61.1	0.3 %
of which 31 to 90 days	13.5	0.9 %	15.7	0.9 %
of which over 90 days	7.2	–	7.8	–
Net carrying amount	**948.4**		**978.2**	
Portfolio-based value adjustments	0.7		0,5	
Receivables including specific-debt allowances	11.5		13.5	
Total trade receivables (gross)	**960.6**		**992.2**	

TABLE 080

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 lesser extent bank guarantees. 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 2021, the issued subscribed capital amounts unchanged 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 € 881.8 (891.5) million are attributable to the minority interest in the subgroup AGRANA in the amount of € 698.3 (723,1) million and mainly to the minority interest in the subgroup CropEnergies in the amount of € 175.0 (168.3) 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	Fruit, starch, sugar
CropEnergies AG	Mannheim, Germany	69.2	30.8	Ethanol

TABLE 081

Südzucker holds a 41.9 % stake in AGRANA Beteiligungs-AG; 39.2 % indirectly via AGRANA Zucker, Stärke und Frucht Holding AG as well as 2.7 % directly. 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:

28/29 February	2021		2020	
€ million	AGRANA	CropEnergies	AGRANA	CropEnergies
Non-current assets	1,232.0	377.4	1,311.8	384.7
Current assets	1,240.7	365.0	1,217.5	284.9
Total assets	**2,472.7**	**742.4**	**2,529.3**	**669.6**
Non-current liabilities	597.4	61.4	565.3	65.5
Current liabilities	546.2	114.9	597.0	101.2
Total liabilities	**1,143.6**	**176.3**	**1,162.3**	**166.7**
Net assets	**1,329.1**	**566.1**	**1,367.0**	**502.9**
Revenues	2,547.0	833.1	2,480.7	899.2
Result from operations	78.7	108.2	66.9	104.1
Earnings before income taxes	60.2	107.4	49.7	100.7
Taxes on income	−5.2	−22.5	−18.5	−26.1
Net earnings	**55.0**	**84.9**	**31.2**	**74.6**
Income and expenses recognized in other comprehensive income	−45.6	−2.8	−10.7	−7.8
Comprehensive income	**9.4**	**82.1**	**20.5**	**66.8**
Dividend payment in fiscal year	48.8	26.2	63.2	13.1
thereof attributable to other minority interest outside the Südzucker Group	28.6	8.1	37.0	4.0

TABLE 082

The data correspond to the published consolidated financial statements of the respective subgroups. More detailed information is available in the current 2020/21 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 € 50.8 (51.3) million for the group.

Defined benefit plans

Pension plans within Südzucker Group mainly consist of defined benefit obligations. Pension benefits are normally granted based on years of service with the company and benefit-related remuneration. There are also similar obligations, particularly relating to foreign group companies. They are calculated actuarially taking into account estimates of future cost trends.

Südzucker Group's recognized net liability is derived from both the pension-funded defined benefit obligation and from the defined benefit obligation funded by a separate fund less the fair value of plan assets:

€ million	28/29 February	2021	2020
Defined benefit obligation for direct pension benefits		1,010.4	1,131.3
Fair value of plans assets		−129.5	−129.5
Provision for pensions and similar obligations (net defined benefit obligation)		**880.9**	**1,001.8**
Discount rate in %		1.45	1.00

TABLE 083

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 2021								
Defined benefit obligation for direct pension benefits	749.7	66.4	61.4	25.3	45.7	9.0	53.0	1,010.4
Fair value of plans assets	−2.0	−1.0	−68.0	−32.1	−16.2	−8.1	−2.1	−129.5
Provision for pensions and similar obligations (net defined benefit obligation)	**747.6**	**65.4**	**−6.6**	**−6.8**	**29.5**	**0.9**	**50.9**	**880.9**
29 February 2020								
Defined benefit obligation for direct pension benefits	855.2	75.4	63.6	23.1	46.7	9.7	57.7	1,131.3
Fair value of plans assets	−2.3	−0.9	−68.3	−32.3	−16.5	−7.3	−1.9	−129.5
Provision for pensions and similar obligations (net defined benefit obligation)	**852.9**	**74.5**	**−4.8**	**−9.2**	**30.2**	**2.4**	**55.8**	**1,001.8**

TABLE 084

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 comparable in their structure 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 and Ukraine. 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 2019	**955.3**	**−123.7**	**831.6**
Expenses for company pension plans (Income statement)			
Current service cost	26.2		26.2
Past service cost	−2.4		−2.4
Gains and losses on curtailments or settlements	0.0		0.0
Interest expense (+) / income (–)	17.8	−2.2	15.6
	41.6	**−2.2**	**39.4**
Remeasurements (other comprehensive income)			
Gains (–) and losses (+) on actual return on plan assets		−5.0	−5.0
Gains (–) and losses (+) from change of demographic assumptions	−0.2		−0.2
Gains (–) and losses (+) from changes in financial assumptions	169.3		169.3
Gains (–) and losses (+) on experience adjustments	2.6		2.6
	171.7	**−5.0**	**166.7**
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	0.0	0.0	0.0
Employer contributions to plan assets	0.0	−4.4	−4.4
Plan participants contributions	0.3	−0.3	0.0
Benefit payments	−37.6	6.1	−31.5
	−37.3	**1.4**	**−35.9**
29 February 2020	**1,131.3**	**−129.5**	**1,001.8**

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pensions and similar obligations
1 March 2020	**1,131.3**	**−129.5**	**1,001.8**
Expenses for company pension plans (Income statement)			
Current service cost	31.3		31.3
Past service cost	−0.1		−0.1
Gains and losses on curtailments or settlements	0.0		0.0
Interest expense (+) / income (–)	11.2	−1.4	9.8
	42.4	**−1.4**	**41.0**
Remeasurements (statement of income and expenses recognized directly in equity)			
Gains (–) and losses (+) on actual return on plan assets		−1.1	−1.1
Gains (–) and losses (+) from change of demographic assumptions	−0.5		−0.5
Gains (–) and losses (+) from changes in financial assumptions	−118.7		−118.7
Gains (–) and losses (+) on experience adjustments	−5.0		−5.0
	−124.2	**−1.1**	**−125.3**
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	−0.3	0.1	−0.2
Employer contributions to plan assets	0.0	−3.7	−3.7
Plan participants contributions	0.3	−0.3	0.0
Benefit payments	−39.1	6.4	−32.7
	−39.1	**2.5**	**−36.6**
28 February 2021	**1,010.4**	**−129.5**	**880.9**

TABLE 085

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 € −125.3 (166.7) million revaluation of pension obligations resulted from the adjustment of the discount rate to 1.45 (1.00) %, the trends for salaries and pensions to 2.00 (2.50) % or to 1.30 (1.50) % for material pension plans and experience adjustments. The revaluation was recognized directly in equity. Last year the change was mainly due to the reduction of the discount rate and changes in demographic assumptions and 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 % 28/29 February	2021	2020
Interest rate	1.45	1.00
Salary growth	2.00	2.50
Pension growth	1.30	1.50

TABLE 086

Interest rates between 0.75 and 1.70 (0.80 and 1.20) % 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. An interest rate of 1.45 (1.00) % was assumed for the main plans with a mixed portfolio of active employees and pensioners (duration 18 years). Plans primarily comprising pensioners (duration 10 years) had an underlying interest rate of 0.75 (0.80) %, other plans with a mixed portfolio of active employees and pensioners (duration 16 years) 1.30 (0.90) % and plans predominantly comprising active employees (duration 28 years) 1.70 (1.15) %.

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.

28/29 February		2021		2020	
€ million	Change in actuarial assumption	Defined benefit obligation	Change	Defined benefit obligation	Change
Present value of the obligation		1,010.4	–	1,131.3	–
Discount rate	Increase by 0.50 percentage point	934.5	−7.5 %	1,032.2	−8.8 %
	Decrease by 0.50 percentage point	1,106.0	9.5 %	1,241.2	9.7 %
Salary growth	Increase by 0.25 percentage point	1,027.9	1.7 %	1,145.8	1.3 %
	Decrease by 0.25 percentage point	1,002.1	−0.8 %	1,113.3	−1.6 %
Pension growth	Increase by 0.25 percentage point	1,042.6	3.2 %	1,162.3	2.7 %
	Decrease by 0.25 percentage point	987.5	−2.3 %	1,097.1	−3.0 %
Life expectancy	Increase by one year	1,056.2	4.5 %	1,178.5	4.2 %
	Decrease by one year	972.3	−3.8 %	1,079.3	−4.6 %

TABLE 087

Plan assets

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

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

28/29 February	2021		2020	
€ million	Fair value	thereof market prices in active markets	Fair value	thereof market prices in active markets
Debt instruments	18.6	18.6	20.2	20.2
Equity instruments	16.6	16.6	14.9	14.9
Real estate funds	0.8	0.0	0.7	0.0
Assets held by assurance company	88.1	0.3	89.7	0.4
Other	5.4	5.1	4.1	4.1
Total	**129.5**	**40.6**	**129.5**	**39.5**

TABLE 088

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 16.9 (18.4) years. Employer contributions to plan assets are expected to total € 4.3 (3.8) million in the 2021/22 financial year. Pension and severance payments are expected to develop as follows over the next ten years:

Period	€ million
2021/22	38.9
2022/23	38.3
2023/24	37.9
2024/25	42.0
2025/26	41.9
2026/27 to 2030/31	205.3
Total	**404.3**

TABLE 089

(28) Other provisions

€ million 28/29 February	2021	Short-term	Long-term	2020	Short-term	Long-term
Personnel-related provisions	92.5	28.3	64.2	102.4	33.6	68.8
Provisions for litigation risks and risk precautions	150.8	55.4	95.4	165.7	39.8	125.9
Other provisions	89.4	33.6	55.8	93.5	46.1	47.4
Total	**332.7**	**117.3**	**215.4**	**361.6**	**119.5**	**242.1**

TABLE 090

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 2020/21 financial year or in subsequent years.

Other provisions developed as follows during the reporting period:

€ million	Personnel-related provisions	Provisions for litigation risks and risk precautions	Other provisions	Total
1 March 2020	**102.4**	**165.7**	**93.5**	**361.6**
Change in companies incl. in the consolidation and other changes	0.0	0.0	−0.1	−0.1
Changes due to currency translation	−0.3	−0.1	−0.4	−0.8
Additions and unwindings	29.7	3.0	33.9	66.6
Use	−34.8	−4.7	−31.0	−70.5
Reversal	−4.5	−13.1	−6.5	−24.1
28 February 2021	**92.5**	**150.8**	**89.4**	**332.7**

TABLE 091

Personnel-related provisions

Personnel-related provisions of € 92.5 million are primarily made up of largely non-current provisions for long-service awards, provisions for part-time early retirement and provisions for termination benefit plans.

Provisions for litigation risks and risk precautions

Provisions for litigation risks and risk precautions of € 150.8 million include provisions for market regulation proceedings, proceedings from operational contractual relationships and antitrust risks (fines and claims for damages).

Other provisions

Other provisions of € 89.4 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 CO_2 emissions certificates.

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 € 0.5 (0.8) million.

(29) Trade payables and other liabilities

€ million		Remaining term			Remaining term	
28/29 February	2021	to 1 year	over 1 year	2020	to 1 year	over 1 year
Liabilities to beet growers	216.6	216.6	0.0	211.5	211.5	0.0
Liabilities to other trade payables	607.1	607.1	0.0	606.1	606.1	0.0
Trade payables	**823.7**	**823.7**	**0.0**	**817.6**	**817.6**	**0.0**
Negative market value derivatives	22.2	22.2	0.0	20.2	20.2	0.0
Liabilities for personnel expenses	123.5	123.1	0.4	116.0	115.7	0.3
Remaining financial liabilities	111.7	108.0	3.7	130.3	120.8	9.5
Other financial liabilities	**257.4**	**253.3**	**4.1**	**266.5**	**256.7**	**9.8**
Liabilities for other taxes and social security contributions	49.4	49.4	0.0	50.1	50.1	0.0
Remaining non-financial liabilities	11.5	11.5	0.0	15.8	15.8	0.0
Non-financial liabilities	**60.9**	**60.9**	**0.0**	**65.9**	**65.9**	**0.0**
Other liabilities	**318.3**	**314.2**	**4.1**	**332.4**	**322.6**	**9.8**

TABLE 092

Liabilities to beet growers accounted for € 216.6 (211.5) million of the higher trade payables of € 823.7 (817.6) million.

Liabilities for personnel expenses in the amount of € 123.5 (116.0) million mainly represent commitments for bonuses, premiums, vacation and overtime pay.

Remaining non-financial liabilities totaling € 11.5 (15.8) million primarily include on-account payments received on orders as well as accrued and deferred items of € 4.3 (8.4) million.

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

€ million		Remaining term			Remaining term	
28/29 February	2021	to 1 year	over 1 year	2020	to 1 year	over 1 year
Bonds	1,126.0	330.0	796.0	1,125.0	330.0	795.0
Liabilities to banks	663.9	116.0	547.9	803.7	266.4	537.3
Leasing liabilities	123.6	30.0	93.6	125.5	28.7	96.8
Financial liabilities	**1,913.5**	**476.0**	**1,437.5**	**2,054.2**	**625.1**	**1,429.1**
Securities (non-current assets)	−19.4			−19.6		
Securities (current assets)	−185.8			−267.5		
Cash and cash equivalents	−197.5			−197.4		
Securities and cash and cash equivalents	**−402.7**			**−484.5**		
Net financial debt	**1,510.8**			**1,569.7**		

TABLE 093

Of the financial debt totaling € 1,913.5 million, € 1,437.5 million, or 75 %, is available to Südzucker Group in the long-term. Development of financial liabilities are as follows:

million €	2020/21	2019/20
1 March	**2,054.2**	**1,763.0**
Cash changes	−173.1	271.5
Non-cash changes	32.4	19.7
Initial consolidation	0.0	0.0
Deconsolidation	−0.2	0.0
Measurement effects	32.6	19.7
28/29 February	**1,913.5**	**2,054.2**

TABLE 094

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 Euro commercial paper program of € 600 million or a syndicated credit line of € 600 million for Südzucker and syndicated credit lines of € 400 million for subgroup AGRANA.

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 2.562 % for the period 31 December 2020 to 31 March 2021 (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 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 2021, cash flow amounted to € 475.4 (372.2) million, which corresponds to 7.1 (5.6) % of the consolidated revenues of € 6,679.0 (6,670.7) 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 Euro 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 € 330.0 (330.0) million as of 28 February 2021.

€ million	Due date	Coupon	Carrying amount	Fair value	Nominal value
28 February 2021					
Bond 2016/2023	29/11/2023	1.250 %	299.1	307.3	300.0
Bond 2017/2025	28/11/2025	1.000 %	496.9	511.5	500.0
Commercial paper			330.0	330.0	330.0
Bonds			**1,126.0**	**1,148.9**	**1,130.0**
29 February 2020					
Bond 2016/2023	29/11/2023	1.250 %	298.7	310.8	300.0
Bond 2017/2025	28/11/2025	1.000 %	496.2	504.1	500.0
Commercial paper			330.0	330.0	330.0
Bonds			**1,125.0**	**1,144.9**	**1,130.0**

TABLE 095

All bonds were fixed-interest bearing and had a combined carrying amount of € 1,126.0 (1,125.0) million.

Rating

On 27 January 2021, Moody’s confirmed the company’s corporate and bond rating of Baa3 and confirmed the negative outlook. Moody’s left the subordinated hybrid bond equity credit rating unchanged at 75 %.

Standard & Poor’s (S&P) confirmed its long-term corporate rating of BBB– on 9 September 2020 and kept the outlook to negative. The subordinated hybrid bond was recognized unchanged at 50 % equity.

Liabilities to banks

Liabilities to banks decreased to € 663.9 (803.7) million. Of the fixed-interest bearing liabilities to banks in the amount of € 521.7 (538.8) million, € 422.9 (386.2) was available in the long term. Loans with variable interest rates totaled € 142.2 (264.9) million. As of the balance sheet date, liabilities to banks of € 3.1 (4.4) million were secured by mortgage rights and € 7.8 (7.8) million by other liens.

Bank liabilities

€ million		Remaining term			Remaining term		Average effective rate of interest in %	
28/29 February	2021	to 1 year	over 1 year	2020	to 1 year	over 1 year	2020/21	2019/20
Fixed coupon								
EUR	506.7	87.4	419.3	520.0	140.5	379.5	1.12	1.00
CNY	5.6	2.5	3.1	7.4	1.6	5.8	4.89	5.00
DZD	1.1	0.6	0.4	2.0	1.1	0.9	4.06	6.27
HUF	0.1	0.1	0.0	0.0	0.0	0.0	2.00	–
USD	8.2	8.2	0.0	9.4	9.4	0.0	1.85	3.33
Total	**521.7**	**98.8**	**422.9**	**538.8**	**152.6**	**386.2**	**1.18**	**1.11**
Variable interest rate								
EUR	133.4	8.4	125.0	250.5	99.4	151.1	0.97	0.91
CNY	6.0	6.0	0.0	8.7	8.7	0.0	3.54	4.79
EGP	0.4	0.4	0.0	0.4	0.4	0.0	8.00	15.00
HUF	0.0	0.0	0.0	3.6	3.6	0.0	–	6.00
KRW	1.8	1.8	0.0	1.6	1.6	0.0	2.17	2.86
TRY	0.3	0.3	0.0	0.0	0.0	0.0	9.00	–
USD	0.1	0.1	0.0	0.1	0.1	0.0	2.25	2.25
ZAR	0.1	0.1	0.0	0.0	0.0	0.0	7.03	–
Total	**142.2**	**17.2**	**125.0**	**264.9**	**113.8**	**151.1**	**1.13**	**1.14**
Liabilities to banks	**663.9**	**116.0**	**547.9**	**803.7**	**266.4**	**537.3**	**1.17**	**1.12**

TABLE 096

Liabilities to banks include promissory notes of AGRANA in the amount of € 181.0 million with maturities in 2022, 2024, 2026 and 2029.

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 July 2025 with one extension option for one year until 2026. The line of credit is with a consortium of twelve 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 of 28 February 2021.

AGRANA can utilize syndicated credit facilities of € 250 million and € 150 million, respectively, for the purpose of general corporate financing. The syndicated credit lines have terms until December 2023 and August 2022, both with two extension options of one year each. The credit facility is made available by four key banks. These credit lines had been accessed as of 28 February 2021 in the amount of € 15.0 (80.0) million.

Securities and cash and cash equivalents

Investments in securities totaling € 205.2 (287.1) 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 ethanol sales, energy, grain and corn purchases as well as currency risk associated with sales and procurement. Similar price risk exists in the financial area from interest rate and exchange rate risks. The investment securities that are exposed to a price risk are immaterial in Südzucker Group. The following credit risk management, liquidity management and price risk management strategies have been implemented throughout the group to manage these risks.

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 and the division affected. Where relevant, expected future default trends are also taken into account. In accordance with internal group policies, all amounts recognized for receivables are regularly adjusted via allowances as a separate item. The credit risk from the respective total trade receivables outstanding is largely limited to the retention (excess) amount, which is usually 10 % for the concluded commercial credit insurance. The carrying amounts of past due trade receivables and receivables for which specific debt allowances have been recognized are disclosed in note (25) of the notes to the 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 of 28 February 2021. 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 2021								
Bonds	1,126.0	1,166.4	338.8	8.8	308.8	5.0	505.0	0.0
Liabilities to banks	663.9	685.5	122.0	48.6	163.2	122.6	90.3	138.8
Liabilities from finance leasing	123.6	160.0	33.7	24.8	20.5	14.7	11.3	55.0
Financial liabilities	**1,913.5**	**2,011.9**	**494.5**	**82.2**	**492.5**	**142.3**	**606.6**	**193.8**
Liabilities to beet growers	216.6	216.6	216.6	0.0	0.0	0.0	0.0	0.0
Trade payables	607.1	607.1	607.1	0.0	0.0	0.0	0.0	0.0
Liabilities for personnel expenses	123.5	123.5	123.1	0.4	0.0	0.0	0.0	0.0
Remaining financial liabilities	111.7	111.7	108.0	3.7	0.0	0.0	0.0	0.0
Forex futures – cash out	3.6	720.6	720.6	0.0	0.0	0.0	0.0	0.0
Forex futures – cash in	–	−693.8	−693.8	0.0	0.0	0.0	0.0	0.0
Interest rate swaps – cash out	0.7	0.7	0.4	0.3	0.0	0.0	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	17.9	17.9	17.9	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	**1,081.1**	**1,798.1**	**1,793.7**	**4.4**	**0.0**	**0.0**	**0.0**	**0.0**
Total financial liabilities	**2,994.6**	**3,810.0**	**2,288.2**	**86.6**	**492.5**	**142.3**	**606.6**	**193.8**

€ million	Carrying amount	Contractually agreed cash outflows						
		Total	to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	over 5 years
29 February 2020								
Bonds	1,125.0	1,175.0	338.7	8.8	8.8	308.8	5.0	505.0
Liabilities to banks	803.7	831.7	273.0	45.3	148.9	13.2	122.3	229.0
Liabilities from finance leasing	125.5	166.5	32.9	26.1	19.2	15.9	11.0	61.4
Financial liabilities	**2,054.2**	**2,173.2**	**644.6**	**80.2**	**176.9**	**337.8**	**138.3**	**795.4**
Liabilities to beet growers	211.5	211.5	211.5	0.0	0.0	0.0	0.0	0.0
Trade payables	606.1	606.1	606.1	0.0	0.0	0.0	0.0	0.0
Liabilities for personnel expenses	116.0	116.0	115.7	0.3	0.0	0.0	0.0	0.0
Remaining financial liabilities	130.3	130.3	120.8	9.5	0.0	0.0	0.0	0.0
Forex futures – cash out	6.7	663.6	651.5	12.1	0.0	0.0	0.0	0.0
Forex futures – cash in	–	−644.9	−633.2	−11.7	0.0	0.0	0.0	0.0
Interest rate swaps – cash out	1.1	0.9	0.3	0.3	0.3	0.0	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	12.4	12.4	12.4	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	**1,084.1**	**1,740.8**	**1,718.3**	**22.2**	**0.3**	**0.0**	**0.0**	**0.0**
Total financial liabilities	**3,138.3**	**3,914.0**	**2,362.9**	**102.4**	**177.2**	**337.8**	**138.3**	**795.4**

TABELLE 097

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.

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 presented below 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 of 28 February 2021.

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

€ million	Exposure		Sensitivity (+)		Sensitivity (–)	
28/29 February	2021	2020	2021	2020	2021	2020
USD	61.6	41.6	−5.6	−3.8	6.8	4.6
GBP	16.1	54.2	−1.5	−4.9	1.8	6.0
PLN	2.8	2.6	−0.3	−0.2	0.3	0.3
CAD	2.9	2.3	−0.3	−0.2	0.3	0.3
CNY	1.8	2.0	−0.2	−0.2	0.2	0.2
RON	0.7	22.9	−0.1	−2.1	0.1	2.5
CZK	−0.3	−13.3	0.0	1.2	0.0	−1.5
HUF	−0.3	−22.0	0.0	2.0	0.0	−2.4
Other currencies	−118.0	−151.5	10.7	13.8	−13.1	−16.8

TABLE 098

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 € 230.0 (235.0) million have 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 € 20.9 (21.4) million, or decreased by € 25.6 (26.1) 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 liabilities to banks as of 28 February 2021 without considering concluded interest rate swaps, interest expense would have increased as follows:

Interest rate sensitivity			2020/21			2019/20
€ million	Total	thereof with floating rate	Effect from interest rate sensitivity	Total	thereof with floating rate	Effect from interest rate sensitivity
Liabilities to banks	**663.9**	142.2	−0.7	**803.7**	264.9	−1.3

TABLE 099

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, ethanol 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 ethanol, and the procurement of energy and grain. The following section provides more information on derivative financial instruments.

Derivative instruments to hedge price risk

Südzucker Group uses derivative instruments to a limited extent to hedge currency exchange rate, interest rate and commodity price risks arising from its operating and financial activities. Sugar, wheat and ethanol futures, derivatives in form of gas certificates, and forex futures are mainly used as commodity derivatives in operations. Only normal market instruments are used for financial hedging purposes, such as interest rate swaps and forex futures. These instruments are used within the framework of Südzucker's risk management system as laid down in group guidelines, which set limits based on underlying business volumes, define authorization procedures, prohibit the use of derivative instruments for speculative purposes, minimize credit risks, and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines as well as the correct processing and valuation of transactions and adherence to segregation of duties.

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

€ million	Nominal volume		Positive market values		Negative market values	
28/29 February	2021	2020	2021	2020	2021	2020
Forex futures	708.7	651.1	4.1	3.1	−3.6	−6.7
Interest rate swaps	76.0	50.0	0.0	0.0	−0.7	−1.1
Commodity derivatives	503.0	372.7	12.3	8.5	−17.9	−12.4
Total	**1,287.7**	**1,073.8**	**16.4**	**11.6**	**−22.2**	**−20.2**

TABLE 100

In the case of OTC derivatives (interest and currency derivatives and derivatives on gas 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 ethanol derivatives) are generally not exposed to credit risk.

In response to a decrease, or 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 ethanol or a decrease, i.e. an increase in prices for sugar, ethanol, wheat, corn and gas certificates, by 10 % (respectively), the market value of the derivatives concluded as of 28 February 2021 would change as follows (sensitivity analysis):

€ million	Net market values		Sensitivity (+)		Sensitivity (–)	
28/29 February	2021	2020	2021	2020	2021	2020
Forex futures	0.5	−3.6	26.0	20.2	−28.9	−24.7
Interest rate swaps	−0.7	−1.1	1.0	0.7	−1.0	−0.7
Commodity derivatives	−5.6	−3.9	−15.8	−13.0	14.8	10.9
Total	**−5.8**	**−8.6**	**11.2**	**7.9**	**−15.1**	**−14.5**

TABLE 101

In particular, forex futures and commodity derivatives are also recognized as hedges using cash flow hedge accounting. The main features of the hedged item and the hedging instrument are similar and thus offset each other in terms of value. Changes in the values 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 the hedged item has an impact on earnings. The carrying amounts of the derivatives recognized as part of such a hedge are given below:

€ million	Nominal volume		Positive market values		Negative market values	
28/29 February	2021	2020	2021	2020	2021	2020
Forex futures	193.4	244.1	0.6	1.4	−0.6	−3.5
Interest rate swaps	76.0	50.0	0.0	0.0	−0.7	−1.1
Commodity derivatives	474.6	343.2	12.3	8.3	−17.6	−9.9
Total	**744.0**	**637.3**	**12.9**	**9.7**	**−18.9**	**−14.5**

TABLE 102

The corresponding hedges mainly comprise price risk component hedges in sugar sales. The nominal volume of the sugar price hedging via futures and the associated currency hedging amounted to USD 77.9 (57.1) million and USD 9.8 (0.0) million for the hedging via put options as of the balance sheet date. This results in a hedging rate of 312 (280) €/t. Transactions still hedged at the end of the financial year will be mainly realized in the next fiscal year.

Ineffectiveness due to differing maturities of basic and hedging business had to be recognized in the amount of € −0.2 (−0.5) million. The volume of derivatives not included in a hedging transaction is evaluated in the income statement. 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 € −4.2 (3.0) million and € −0.6 (−6.6) million, respectively, and changed earnings before income taxes by € 15.4 (4.9) million and € −14.5 (−7.9) 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.

28/29 February		2021		2020	
€ million	Measurement categories	Carrying amount	Fair value	Carrying amount	Fair value
Securities	At fair value through profit or loss	13.2	13.2	13.3	13.3
Securities	Fair value recognized directly in equity in other comprehensive income (excluding recycling)	6.2	6.2	6.3	6.3
Long term securities		*19.4*	*19.4*	*19.6*	*19.6*
Other investments	At fair value through profit or loss	3.2	3.2	4.1	4.1
Trade receivables	At amortized cost	948.4	948.4	978.2	978.2
Receivables due from the EU	At amortized cost	0.1	0.1	0.1	0.1
Remaining financial assets	At amortized cost	73.1	73.1	52.9	52.9
Positive market value derivatives	At fair value through profit or loss	3.5	3.5	1.9	1.9
Positive market value derivatives – hedge accounting	n/a	12.9	12.9	9.7	9.7
Securities	Fair value recognized directly in equity in other comprehensive income (including recycling)	75.0	75.0	125.0	125.0
Securities	At fair value through profit or loss	0.3	0.3	0.3	0.3
Securities	At amortized cost	110.5	110.5	142.2	142.2
Short term securities		*185.8*	*185.8*	*267.5*	*267.5*
Cash and cash equivalents	At amortized cost	197.5	197.5	197.4	197.4
Total financial assets		**1,443.9**	**1,443.9**	**1,531.4**	**1,531.4**
Bonds	At amortized cost	1,126.0	1,148.9	1,125.0	1,144.9
Liabilities to banks	At amortized cost	663.9	667.6	803.7	809.5
Leasing liabilities	n/a	123.6	–	125.5	–
Trade liabilities	At amortized cost	823.7	823.7	817.6	817.6
Negative market value derivatives	At fair value through profit or loss	3.3	3.3	5.7	5.7
Negative market value derivatives – hedge accounting	n/a	18.9	18.9	14.5	14.5
Liabilities for personnel expenses	At amortized cost	123.5	123.5	116.0	116.0
Remaining financial liabilities	At amortized cost	111.7	111.7	130.3	130.3
Total financial liabilities		**2,994.6**	**2,897.5**	**3,138.3**	**3,038.5**

TABLE 103

The totals by measurement category and the net result by measurement category are given below.

€ million	28 February 2021			2020/21	29 February 2020			2019/20
Measurement category	Carrying amount	Fair value	Net result	thereof interest income (+) / interest expense (–)	Carrying amount	Fair value	Net result	thereof interest income (+) / interest expense (–)
Financial assets at fair value through profit and loss	20.1	20.1	19.8	–	19.6	19.6	10.4	–
Financial assets at fair value recognized directly in equity in other comprehensive income (excluding recycling)	6.2	6.2		–	6.3	6.3	0.0	–
Financial assets at fair value recognized directly in equity in other comprehensive income (including recycling)	75.0	75.0	6.9	6.9	125.0	125.0	7.2	6.9
Financial assets at amortized cost	1,329.6	1,329.6	4.1	2.3	1,370.8	1,370.8	21.9	5.5
Financial liabilities at fair value through profit and loss	3.3	3.3	−14.9	–	5.7	5.7	−18.0	–
Financial liabilities at amortized cost	2,848.8	2,875.3	−41.3	−19.7	2,992.6	3,018.3	−39.5	−19.8
	–	**–**	**−25.4**	**−10.5**	**–**	**–**	**−18.0**	**−7.4**

TABELLE 104

Net result by measurement category includes interest, dividends and gains or losses on the measurement of financial instruments and currency results.

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 assets 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 2016/2023 and 2017/2025 bonds in the amount of € 818.8 (814.9) 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
28/29 February	2021	Evaluation level 1	Evaluation level 2	Evaluation level 3	2020	Evaluation level 1	Evaluation level 2	Evaluation level 3
Securities	**94.7**	**12.5**	**75.0**	**7.1**	**144.9**	**12.7**	**125.0**	**7.2**
Other investments	**3.2**	**0.0**	**0.0**	**3.2**	**4.1**	**0.0**	**0.0**	**4.1**
Positive market values – derivatives without hedge accounting	3.5	0.0	3.5	0.0	1.9	0.2	1.7	0.0
Positive market values – hedge accounting derivatives	12.9	12.3	0.6	0.0	9.7	8.4	1.3	0.0
Positive market values	**16.4**	**12.3**	**4.1**	**0.0**	**11.6**	**8.6**	**3.0**	**0.0**
Financial assets	**114.3**	**24.8**	**79.1**	**10.3**	**160.6**	**21.3**	**128.0**	**11.3**
Negative market values – derivatives without hedge accounting	3.3	0.3	3.0	0.0	5.7	2.5	3.2	0.0
Negative market values – hedge accounting derivatives	18.9	17.6	1.3	0.0	14.5	9.9	4.6	0.0
Negative market values/financial liabilities	**22.2**	**17.9**	**4.3**	**0.0**	**20.2**	**12.4**	**7.8**	**0.0**

TABLE 105

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. 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). As the subscription took place close to the balance sheet date, no significant difference between the carrying amount and the current market price level can be assumed. 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 without 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 gas swaps is based on quoted prices for gas 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 future cash 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 28/29 February	2021	2020
Guarantees	43.3	44.7
thereof for Joint Ventures	41.2	42.7
Warranty commitments	1.4	1.4

TABLE 106

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 € 5.5 (5.9) million exists from a refund claim on EU funding in Hungary. The company's management considers the claim unlikely to be utilized.

Purchase orders for investments in property, plant and equipment

Purchase orders for investments in property, plant and equipment in the amount of € 97.1 (76.6) million are related mainly to investments in sugar factories in preparation for the next campaign as well as in the BENEO, Freiberger and starch divisions and in the CropEnergies segment.

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

Expenses in 2020/21 for services provided by the group's external auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were made up of fees for the following services:

€ thousand	2020/21	2019/20
Auditing services	709	820
Other assurance services	101	78
Tax consulting fees	0	16
Other services	0	0
Total	**810**	**914**

TABLE 107

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.

(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 12 November 2020 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 9 November 2020 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), Ochsenfurt, Germany, 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 2020/21 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 € 0.1 (0.2) million and € 3.0 (3.4) million, respectively. In addition, there were financial receivables of € 101.6 (144.3) million from, and financial liabilities of € 43.1 (53.7) million to Raiffeisen Group; financial receivables of € 75 million related to a subordinated callable bond 2021-2031 with a fixed interest rate of 3.37 % through February 2026. At the reporting date, there were credit balances with Südzucker AG of € 24.7 million, hedged by this subordinated bond and comprising not only employee accounts but also executive board accounts bearing interest at 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]	2020/21	2019/20
Joint ventures	165.5	188.1
Associated companies	10.9	33.3
Services performed for related parties	**176.4**	**221.4**
Joint ventures	53.8	61.9
Associated companies	1.8	1.2
Services received from related parties	**55.6**	**63.1**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 108

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] 28/29 February	2021	2020
Joint ventures	59.8	50.7
Associated companies	1.9	0.1
Receivables from related parties	**61.7**	**50.8**
Joint ventures	13.9	6.8
Associated companies	0.1	0.2
Liabilities to related parties	**14.0**	**7.0**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 109

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	2020/21	2019/20
Fixed compensation	3.0	3.2
Variable compensation	1.4	1.7
Total compensation	**4.4**	**4.9**

TABLE 110

Provisions for pensions of € 37.4 (41.8) million relate to former members of Südzucker AG's executive board and their dependents. Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 2.6 (2.3) million. Provisions for pensions for current executive board members amounted to € 22.9 (20.1) million; service cost additions 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 and is paid out in the following year. A variable component is granted only if there is a dividend that exceeds € 0.50 per share, which was not the case.

€ million	2020/21	2019/20
Fixed compensation	1.8	1.8
Variable compensation	0.0	0.0
Total compensation	**1.8**	**1.8**

TABLE 111

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 and detailed disclosure for fiscal 2020/21 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, Ochsenfurt, Germany (Chairman)
- 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]
- Austrian National Bank AG, Vienna, Austria
- RWA Raiffeisen Ware Austria AG, Korneuburg, Austria
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Korneuburg, Austria

Fred Adjan [2], Hamburg, Germany
Born 1968, member since 1 September 2020
Deputy chairman of Gewerkschaft Nahrung-Genuss-Gaststätten

Thomas Bernhard [2], Wunstorf, Germany
Born 1961, member from 20 July 2017 to 31 August 2020
Works council secretary of Gewerkschaft Nahrung-Genuss-Gaststätten
Board memberships
- Dussmann Stiftung & Co. KGaA, Berlin, Germany

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, Ochsenfurt, Germany

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
- Karlsruher Institut für Technologie, Karlsruhe, Germany
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt, Germany

Ulrike Maiweg [2], Bellheim, Germany
Born 1970, member since 20 July 2017
Deputy chairwoman of the central works council of
Mannheim of Südzucker AG

Walter Manz, Dexheim, Germany
Born 1964, member since 12 April 2019
Chairman of the general committee of Verband Hessisch-Pfälzischer Zuckerrübenanbauer e. V.

Julia Merkel, Wiesbaden, Germany
Born 1965, member since 20 July 2017
Member of the executive board of R+V Versicherung AG
Board memberships [4]
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt, 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

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, Germany (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.

Wolfgang Vogl [2], Bernried, Germany
Born 1962, member since 1 March 2011
Manager of the Plattling, Rain and Offenau 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
Rolf Wiederhold

Agriculture Committee
Dr. Hans-Jörg Gebhard (chairman)
Helmut Friedl
Ulrich Gruber
Georg Koch
Nadine Seidemann
Wolfgang Vogl

Audit Committee
Helmut Friedl (chairman)
Dr. Hans-Jörg Gebhard
Ulrich Gruber
Veronika Haslinger
Franz-Josef Möllenberg
Rolf Wiederhold

Nomination Committee
Dr. Hans-Jörg Gebhard (chairman)
Helmut Friedl
Erwin Hameseder
Julia Merkel

Social Welfare Committee
Dr. Hans-Jörg Gebhard (chairman)
Fred Adjan since 26 January 2021
Thomas Bernhard until 31 August 2020
Helmut Friedl
Erwin Hameseder
Franz-Josef Möllenberg
Rolf Wiederhold

Arbitration Committee
Dr. Hans-Jörg Gebhard (chairman)
Erwin Hameseder
Franz-Josef Möllenberg
Rolf Wiederhold

Executive board

Dr. Niels Pörksen
Limburgerhof, Germany
CEO
Since 1 March 2020; appointed until 28 February 2023

Dr. Thomas Kirchberg
Würzburg, Germany
Since 1 September 2007; appointed until 31 August 2022
Board memberships [1]
- Ekosem-Agrar AG, Walldorf, Germany
- Forum Moderne Landwirtschaft e. V., (deputy chairman)

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 31 May 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 – Lipizzanergestüt 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

The list of shareholdings in accordance with section 313 (2) HGB as of 28 February 2021 will be published together with the consolidated financial statements as of 28 February 2021 in the electronic Federal Gazette and separately on the Company's website.

(39) Proposed appropriation of earnings

Retained earnings of Südzucker AG amount to € 41,4 million. The executive board proposes that an unchanged dividend of € 0.20 per share be distributed and appropriated as follows:

		2020/21	2019/20
Issued shares	Number	204,183,292	204,183,292
Dividends	€	0.20	0.20
Dividend amount	€	40,836,658.40	40,836,658.40
Earnings carried forward	€	552,867.73	6,415,315.49
Retained earnings	€	**41,389,526.13**	**47,251,973.89**

TABLE 112

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 is expected to take place virtually on 15 July 2021; the dividend will be paid on 20 July 2021.

(40) Events after the balance sheet date

Since 28 February 2021, no events of material significance have occurred that are expected to have a significant impact on the financial position and performance of the group.

Mannheim, 30 April 2021

Südzucker AG

EXECUTIVE BOARD

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, 30 April 2021

EXECUTIVE BOARD

DR. NIELS PÖRKSEN
(CEO)

DR. THOMAS KIRCHBERG

THOMAS KÖLBL

JOHANN MARIHART

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

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 2021, the income statement, the statement of other comprehensive income, the statement of changes in shareholder's equity and the cash flow statement for the financial year from 1 March 2020 to 28 February 2021, 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 2020 to 28 February 2021. 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 2021, and of its financial performance for the financial year from 1 March 2020 to 28 February 2021, 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 2020 to 28 February 2021. 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

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 € 721.5 million (9.0 % of total assets or 20.3 % of equity) 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. The impairment test determined that no write-downs were necessary.

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 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 150.8 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 mostly will not be made until after several years and therefore an outflow of resources is not expected within the next twelve months. 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.

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 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 controls.
- 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

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file [Suedzucker_AG_KA_KLB-2021-02-28.zip] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 March 2020 to 28 February 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 July 2020. We were engaged by the supervisory board on 16 July 2020. 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 Christina Pöpperl.

Frankfurt am Main, 30 April 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

MICHAEL CONRAD
(GERMAN PUBLIC AUDITOR)

CHRISTINA PÖPPERL
(GERMAN PUBLIC AUDITOR)

Additional **information**

GLOBAL REPORTING INITIATIVE

In this annual report, Südzucker discusses group sustainability programs. Südzucker complies with the Global Reporting Initiative standards, CORE (2016 or 2018), when collecting and presenting the material data that relate to its business activities.

Organizational and content related reporting boundaries

To the extent appropriate, the tables and graphs include data from three previous years. Otherwise, the information in texts and tables relates to the fiscal year just ended or the calendar year and the previous period.

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 locations.

In the sugar segment, these are still the sugar factories in the EU and INSTANTINA Nahrungsmittel- und Produktionsgesellschaft m.b.H., Vienna, Austria. Sugar factories that have been closed since then are recognized until the shutdown is complete.

For the special products segment, the report covers unchanged the production locations of the BENEO, Freiberger and starch divisions. All production locations remain included in the CropEnergies and sugar segments.

Content related reporting 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, chicory, 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, chicory, grain, potatoes and fruits that Südzucker processes are 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.

(3) Water withdrawal and water discharge

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 feed or fertilizer.

(5) Products

The information provided regarding energy use and emissions relate to the total quantity of products and byproducts.

Report profile and validation

The sustainability reporting was again integrated into the financial report in fiscal 2020/21. 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.

Index of the standard GRI information presented in the report

GRI	Description	Page
GRI 102: General disclosures		
Organizational profile		
102-1	Name of the organization	22
102-2	Activities, brands, products, and services	Cover flap text
102-3	Location of headquarters	22
102-4	Location of operations	Cover flap text
102-5	Ownership and legal form	19
102-6	Markets served	66, 73, 77, 80
102-7	Scale of the organization	Cover flap text
102-8	Information on employees and other workers	42 ff
102-9	Supply chain	35 ff
102-10	Significant changes to the organization and its supply chain	unchanged
102-11	Precautionary Principle or approach	28 ff, 86 ff
102-12	Voluntary membership in external initiatives	31
102-13	Membership of associations	51
Strategy		
102-14	Statement from senior decision-maker	5 ff
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	24 - 51, 102 f
Governance		
102-18	Governance structure	10 ff, 22
Stakeholder engagement		
102-40	List of stakeholder groups	30
102-41	Collective bargaining agreements	48
102-42	Identifying and selecting stakeholders	29 f
102-43	Approach to stakeholder engagement	29 f
102-44	Key topics and concerns raised	29 f

GRI	Description	Page
Reporting practice		
102-45	Entities included in the consolidated financial statements	203
102-46	Defining report content and topic Boundaries	203
102-47	List of material topics	29
102-48	Restatements of information	–
102-49	Changes in reporting	203
102-50	Reporting period	01.03. – 28./29.02.
102-51	Date of most recent report	22 April 2020
102-52	Reporting cycle	annually
102-53	Contact point for questions regarding the report	Cover flap
102-54	Claims of reporting in accordance with the GRI Standards	203
102-55	GRI content index	204 ff
102-56	External assurance	207 f

GRI 103: Management approach		
103-1	Explanation of the material topic and its Boundary	22 – 51, 203 f
103-2	The management approach and its components	22 – 51, 203 f
103-3	Evaluation of the management approach	22 – 51, 203 f

GRI 200: Topic-specific standards: economic		
Economic performance		
201-2	Financial implications and other risks and opportunities due to climate change	86 ff
Procurement practices		
204-1	Proportion of spending on local suppliers	50
Anti-corruption		
205-1	Operations assessed for risks related to corruption	102 f
205-3	Confirmed incidents of corruption and actions taken	–[1]
Anti-competitive behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	92

GRI 300: Topic-specific standards: environmental		
Materials		
301-1	Materials used by weight or volume	35
Energy		
302-3	Energy intensity	34 f
Water and Effluents (2018)		
303-1	Interactions with water as a shared resource	37 f
303-2	Management of Water discharge-related impacts	37 f
303-5	Water consumption	38
Emissions		
305-4	GHG emissions intensity	34

[1] No major corruption cases have been reported in the year under review.

GRI	Description	Page
Waste		
306-2	Waste by type and disposal method	39
Supplier environmental assessment		
308-1	New suppliers that were screened using environmental criteria	40 f
308-2	Negative environmental impacts in the supply chain and actions taken	35, 40 f
GRI 400: Material topics – social		
Employment		
401-1	New employee hires and employee turnover *Omissions: Data on employee turnover is not categorized by age and region as this information is considered confidential.*	44
Occupational health and safety (2018)		
403-1	Occupational health and safety management system	46 f
403-2	Hazard identification, risk assessment, and incident investigation	46 f
403-3	Occupational health services	46 f
403-4	Worker participation, consultation, and communication on occupational health and safety	46 f
403-5	Worker training on occupational health and safety	46 f
403-6	Promotion of worker health	46 f
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	–
403-9	Work-related injuries *Omissions: Without workers who are not employees of the Südzucker Group*	47
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees *Omissions: No employee data according to department is collected. Management statistics are not categorized by region as such information is considered confidential.*	10 f, 43 f, 100, 189 f
Human rights assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	49
Supplier social assessment		
414-1	New suppliers that were screened using social criteria	49
Customer health and safety		
416-1	Assessment of the health and safety impacts of product and service categories	50
Marketing and labeling		
417-2	Incidents of non-compliance concerning product and service information and labeling	2020/21: one

TABLE 124

ASSURANCE ABOUT THE NON-FINANCIAL STATEMENT

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting[1]

To Südzucker AG, Mannheim

We have performed a limited assurance engagement on the non-financial group statement pursuant to § (Article) 315b (paragraph) Abs. 1 HGB ("Handelsgesetzbuch": "German Commercial Code") contained in section "Non-financial Statement" of the group management report of Südzucker AG, Mannheim, (hereinafter the "Company") for the period from 1 March 2020 to 28 February 2021 (hereinafter the "Non-financial Statement").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Statement that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Statement based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-financial Statement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Statement for the period from 1 March 2020 to 28 February 2021has not been prepared in all material aspects in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the non-financial group statement and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and personnel involved in the preparation of the Non-financial Statement regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Statement
- Identification of the likely risks of material misstatement of the Non-financial Statement
- Analytical evaluation of selected disclosures in the Non-financial Statement
- Inspection of supporting documents for selected information
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Statement for the period from 1 March 2020 to 28 February 2021 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 30 April 2021
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

MICHAEL CONRAD
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

CHRISTINA PÖPPERL
WIRTSCHAFTSPRÜFERIN
[GERMAN PUBLIC AUDITOR]

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.

Contacts

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

Corporate Public Relations & Affairs
Dr. Dominik Risser
public.relations@suedzucker.de
Phone: +49 621 421-428

Sustainability
Dr. Justyna Jaroszewska
sustainability@suedzucker.de
Phone: +49 621 421-659

Südzucker on the Internet
For more information about Südzucker Group please visit our website: www.suedzucker.de

Photo credits
Alexander Seeboth (p. 10-12)

Illustrations
MPM – stock.adobe.com (S. 2-3)

Layout and design
MPM Corporate Communication Solutions, Mainz, Germany

Print and processing
abcdruck, Heidelberg, Germany

https://www.suedzucker.de/en/company

Scan the QR code for more Information

Sarah, the main character of our film, discovers Südzucker products throughout her everyday life and gets an insight into the working world of various Südzucker employees.

Südzucker AG

Maximilianstraße 10
68165 Mannheim, Germany
Phone: +49 621 421 - 0