Annual Report 2019/20
Südzucker AG

WE
THINK
FUTURE

SÜDZUCKER

Contents

Annual Report 2019/20

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1 March 2019 – 29 February 2020
published on 14 May 2020

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 2020/21	9 July 2020
Annual general meeting Fiscal 2019/20	16 July 2020
Q2 – Half year financial report 1st half year 2020/21	8 October 2020
Q3 – Quarterly statement 1st to 3rd quarter 2020/21	14 January 2021
Press and analysts' conference Fiscal 2020/21	20 May 2021
Q1 – Quarterly statement 1st quarter 2021/22	8 July 2021
Annual general meeting Fiscal 2020/21	15 July 2021

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Südzucker Group
Company profile

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

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

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

In the traditional sugar business, the group is currently operating 23 sugar factories[1] and two refineries in Europe.

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

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

The group's fruit segment operates globally, is the world market leader for fruit preparations and is a leading supplier of fruit juice concentrates in Europe.

Our core competencies comprise our broad-based expertise in the large-scale conversion of different agricultural raw materials into high-quality products, especially into food for industrial customers and end consumers but also animal feed and other products for the food and non-food industries. Our marketing focuses on business-to-business clients.

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

[1] Number of sugar factories 2020/21 campaign.

Key Figures

		2019/20	2018/19	2017/18	2016/17	2015/16
Revenues and earnings						
Revenues	€ million	6,671	6,754	6,983	6,476	6,387
EBITDA	€ million	478	353	758	709	518
EBITDA margin	%	7.2	5.2	10.8	10.9	8.1
Operating result	€ million	116	27	445	426	241
Operating margin	%	1.7	0.4	6.4	6.6	3.8
Net earnings	€ million	−55	−805	318	312	181
Cash flow and investments						
Cash flow	€ million	372	377	693	634	480
Investments in fixed assets [1]	€ million	335	379	361	329	371
Investments in financial assets / acquisitions	€ million	13	15	432	164	0
Total investments	€ million	348	394	793	493	371
Performance						
Fixed assets [1]	€ million	3,322	3,221	3,260	2,972	2,869
Goodwill	€ million	740	730	1,390	1,191	1,145
Working capital	€ million	2,213	2,008	1,888	1,737	1,665
Capital employed	€ million	6,388	6,072	6,650	6,012	5,791
Return on capital employed	%	1.8	0.4	6.7	7.1	4.2
Capital structure						
Total assets	€ million	8,415	8,188	9,334	8,736	8,133
Shareholders' equity	€ million	3,673	4,018	5,024	4,888	4,473
Net financial debt	€ million	1,570	1,129	843	413	555
Net financial debt to cash flow ratio		4.2	3.0	1.2	0.7	1.2
Equity ratio	%	43.6	49.1	53.8	56.0	55.0
Net financial debt as % of equity (gearing)	%	42.7	28.1	16.8	8.4	12.4
Shares						
Market capitalization	€ million	2,873	2,625	3,014	4,921	3,834
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	€	14.07	12.86	14.76	24.10	13.88
Earnings per share	€	−0.60	−4.14	1.00	1.05	0.53
Dividend per share [2]	€	0.20	0.20	0.45	0.45	0.30
Yield as of 28/29 February	%	1.4	1.6	3.0	1.9	2.2
Employees		**19,188**	**19,219**	**18,515**	**16,908**	**16,486**

[1] Including intangible assets.
[2] 2019/20: Proposal.

TABLE 001

Revenues by segment

€ million	2019/20	2018/19	+/− in %
Sugar	2,258	2,588	−12.8
Special products	2,409	2,294	5.0
CropEnergies	819	693	18.2
Fruit	1,185	1,179	0.5
Group total	**6,671**	**6,754**	**−1.2**

TABLE 002

Operating result by segment

€ million	2019/20	2018/19	+/− in %
Sugar	−236	−239	−1.3
Special products	190	156	21.8
CropEnergies	104	33	> 100
Fruit	58	77	−25.0
Group total	**116**	**27**	**> 100**

TABLE 003

Südzucker Group

→ P. 58

€ **6,671** [6,754] million
CONSOLIDATED GROUP REVENUES

€ **116** [27] million
GROUP CONSOLIDATED OPERATING RESULT

€ **372** [377] million
CASH FLOW

€ **348** [394] million
INVESTMENTS, thereof

€ **335** [379] million
INVESTMENTS IN FIXED ASSETS

1.8 [0.4] %
ROCE

€ **6.4** [6.1] billion
CAPITAL EMPLOYED

€ **1,570** [1,129] million
NET FINANCIAL DEBT

19,188
EMPLOYEES

Sugar segment

→ P. 65

€ **2,258** [2,588] million
REVENUES

€ **–236** [–239] million
OPERATING RESULT

€ **2,815** [2,653] million
CAPITAL EMPLOYED

–8.4 [–9.0] %
ROCE

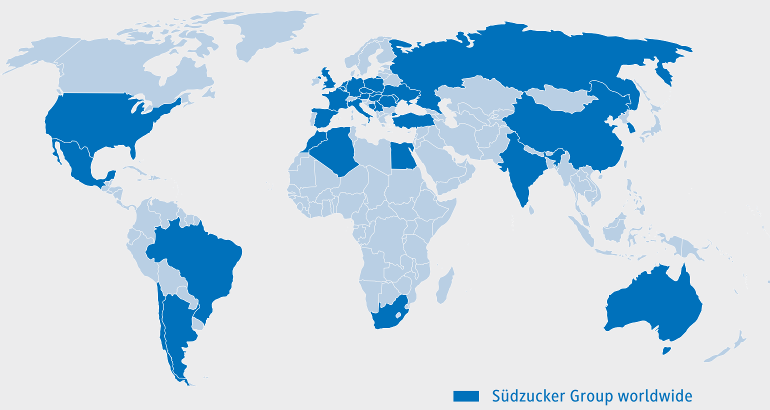
EUROPEAN MARKET LEADER

28.4 million tonnes
BEETS PROCESSED

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

LOCATIONS

over **100**
PRODUCTION LOCATIONS
in 32 countries



23
SUGAR FACTORIES [1]

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

2
REFINERIES

1 Bosnia-Herzegovina
1 Romania

[1] Number of sugar factories operating in the 2020/21 campaign.

Special products segment

→ P. 74

€ **2,409** [2,294] million
REVENUES

€ **190** [156] million
OPERATING RESULT

€ **2,267** [2,133] million
CAPITAL EMPLOYED

8.4 [7.3] %
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
4 Great Britain
1 Italy
2 Netherlands
4 Austria
1 Romania
1 Spain
1 South Africa
1 Czech Republic
1 Chile
5 United States

CropEnergies segment

→ P. 79

€ **819** [693] million
REVENUES

€ **104** [33] million
OPERATING RESULT

€ **450** [456] million
CAPITAL EMPLOYED

23.1 [7.2] %
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 Great Britain

Fruit segment

→ P. 84

€ **1,185** [1,179] million
REVENUES

€ **58** [77] million
OPERATING RESULT

€ **855** [830] million
CAPITAL EMPLOYED

6.8 [9.3] %
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

42
PRODUCTION LOCATIONS

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

WE THINK FUTURE

From regional sugar producer to international group – from agricultural raw material to high-quality product: the Südzucker story has always been about innovation, ever since its foundation in 1837. Behind our success are our employees and experts in research and development, who scrutinize value chain processes, identify social trends at an early stage and, above all, provide the right answers for the group all over the world.

Together we are ready to constantly rethink the future.

Read on to find some outstanding examples.

WE THINK SUSTAINABLE AGRICULTURE

Securing raw materials and ensuring biodiversity

48
targeted plantings to support beneficial organisms

100
m^2 of flowers per strip

12
locations

Südzucker is a company that is closely linked to agriculture. Renewable raw materials such as sugar beets, chicory, grain, corn and potatoes are our basis. In the interest of conserving these plant-based resources, we are consistently focused on a responsible approach to nature. We were yesterday, we are today, and we will be tomorrow.

Our research in the field of agriculture therefore follows two approaches: ensuring the yield and quality of our agricultural raw materials, and sustainable production. The latest examples include experiments in sugar beet fields involving flower strips and targeted plantings that create ideal habitats for insects, birds and other living creatures. The right selection of plants also makes it possible to support beneficial organisms, which help fight pests and therefore further reduce the use of chemical plant protection products.

FLOWER STRIPS:
New habitats for animals

GOAL
- To counteract the decline in insect and bird populations
- To ecologically enhance sugar beet fields as habitats for animals
- To strike a balance between biodiversity and high-yield agriculture

IDEA
- Plant annual and perennial flower strips with different seed mixes: at the edge of fields since 2014, incorporated into the cultivation area since 2017
- Compare different measures to this end as part of a comprehensive ecological monitoring process

CURRENT STATUS
- Three-year monitoring project with 15 plant varieties for incorporation into cultivation area underway at Südzucker's experimental farm in Kirschgartshausen (Mannheim) in cooperation with the Institute for Agro-ecology and Biodiversity in Mannheim
- Completion scheduled for late 2020; findings to be published and shared with farmers as part of the advisory process

TARGETED PLANTINGS:
Space for natural helpers

GOAL
- To make targeted use of beneficial organisms in pest control in beet cultivation
- To further reduce the use of chemical plant protection products

IDEA
- After harvesting the previous crop, winter-hardy catch crops are planted in next year's beet field as a home for beneficial organisms
- Certain mixtures of plants are designed to attract predators that eat sugar beet pests

CURRENT STATUS
- First experiments using various seed mixes for beneficial organisms were started at multiple locations in the German states of Rhineland-Palatinate, Baden-Württemberg and Bavaria in fall 2019
- Investigations over the course of cultivation year 2020 should demonstrate whether the experiments have had the desired effect

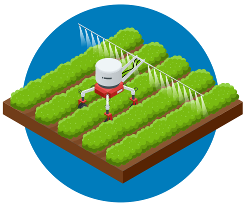
WE THINK DIGITAL AGRICULTURE

Seizing the opportunities of digitalization

The field of agriculture – and especially sugar beet farming – currently faces a host of challenges, including further plant protection and fertilization restrictions, climate change and the tense economic situation. Technological innovations are of the essence when it comes to tackling these challenges as part of a sustainable approach.

Südzucker sees digitalization as an opportunity to further increase sugar yields throughout the value chain and generate stable yields using new technologies. The spectrum of research approaches is broad and ranges from tiny sensors in beet piles to the use of surveillance drones and satellite-based remote sensing. What is important to us is to incorporate new findings into our advisory offerings for farmers as quickly as possible and to implement them on a wide scale.

PROJECT FARMERSPACE:
Digital experimental field as a testing platform

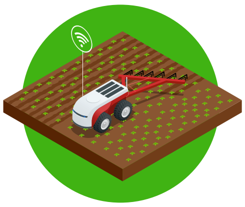


GOAL
- To tap the potential of digital technologies for monitoring and cultivating crops, especially sugar beets and wheat, with a focus on leaf diseases and weed management

IDEA
- Creation of an experimental field for tests, demonstrations and scientific evaluation of digital technologies
- Spectrum ranging from drone- and satellite-based remote sensing to wireless standard tests for connectivity as part of the Internet of Things, as well as new approaches to the use of robotics
- Alliance involving the Institute of Sugar Beet Research, the Section of Agricultural Engineering at the University of Göttingen, the Chamber of Agriculture Lower Saxony and Fraunhofer IOSB Ilmenau, with financial support from Germany's Federal Ministry of Food and Agriculture following a resolution by the German Bundestag

CURRENT STATUS
- Research project approved in early 2020
- Experimental field to be set up

MECHANICAL WEED CONTROL:
Alternatives to chemicals

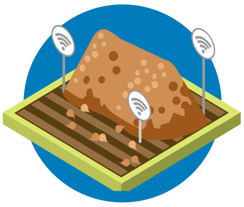


GOAL
- To further reduce the use of chemical plant protection products in beet farming while continuing to fight weeds effectively without negatively impacting yields

IDEA
- Mechanical weed control with digital support as an alternative to the use of chemicals or as an additional option
- Testing of new methods, such as modern tine weeding techniques in combination with GPS, at Südzucker's experimental farm in Kirschgartshausen

CURRENT STATUS
- Extensive testing and digital analysis underway

SUGAR BEET STORAGE:
The challenge of sugar loss

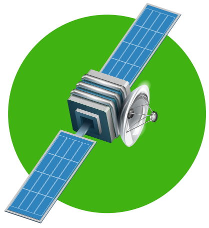


GOAL
- To reduce sugar losses in beet piles at the edges of fields through a significant improvement in storage suitability

IDEA
- Thermographic measurements and sensors in piles in order to gain a better understanding of processes during extended storage and establish a warning system
- Use of lime milk to eliminate harmful microorganisms
- Use of special microorganisms to suppress decay-causing fungus during storage

CURRENT STATUS
- Cooperation with sugar beet farmer associations in southern Germany and the Institute of Sugar Beet Research
- Testing underway

DIGITAL YIELD FORECAST:
Satellite-based data



GOAL
- To increase planning certainty for sugar beet and chicory campaigns
- To significantly reduce the extent of manual test pulling

IDEA
- Development of models for sugar beet and chicory harvest forecasting, as well as an additional sugar content forecast for sugar beets
- Use of satellite data, weather data and artificial intelligence, among other measures

CURRENT STATUS
- Pilot projects involving sugar beets and chicory underway
- Appropriate models already developed
- Review during current cultivation years

Turning even more innovative ideas into alternative sweetener solutions

Not all sugars are the same. That is something Südzucker, the European market leader, has long recognized. Along with traditional white sugar, alternatives featuring specific product characteristics are in demand, both as a response to the public desire for food containing fewer calories and less sugar, and in the form of products offering nutritional benefits.

Innovative sweetening concepts are therefore an essential part of Südzucker Group's product portfolio. For years now, we have been researching alternative solutions based on sucrose and other products of our company, such as fructose, Isomalt and Palatinose™. At times, we even partner with our customers to explore new ideas. Another approach is to reduce sugar content by partially replacing sucrose, a main ingredient in sugar, with fiber. The combination with carrier materials that positively impact sweetness results in other promising ideas for new applications involving beet sugar as a starting product.

WE
THINK

SWEET IN SO MANY WAYS

BEETLICIOUS:
A new take on beet sugar

GOAL
- To launch an alternative to imported raw cane sugar from overseas

IDEA
- A separate, internal start-up named Beetlicious established to bring the idea to fruition faster

CURRENT STATUS
- Beetlicious accepted into the 2019 MassChallenge, one of the world's highest-profile accelerator programs for start-ups
- Natural brown raw beet sugar with pleasing sensory characteristics developed
- Caters to current trend toward more natural, less heavily processed food
- Production methods currently undergoing testing

SWEETER INSIDE:
More efficient sweetening

GOAL
- To develop innovative, sugar-based sweetening solutions that deliver the same taste and sweetness in food as sucrose while reducing the need for standard white sugar – without any added sweeteners

IDEA
- Combining sugar with certain carrier materials to positively impact sweetness

CURRENT STATUS
- Mix of sugar and different carrier materials, such as silicon dioxide (silica)
- Same natural sweetness and taste of sugar in processed foods despite a significant reduction in the amount of sugar by up to 40 %
- Additional research leading up to the development of the final products and production technology underway

WE
THINK

THE NUTRITION OF TOMORROW

Catering to food trends with plant-based proteins

The global population is growing – and so is its need for protein. However, meat production is at its limits, and there is a strong move toward vegetarian and vegan diets. Plant-based proteins, rather than animal-based ones, could be the solution for helping to sustainably secure our supply of protein over the long term. Südzucker is at the source.

We produce starch and ethanol from renewable agricultural raw materials such as wheat, corn, rice and potatoes. The processing of wheat also produces gluten, which has so far been used primarily as animal feed and as an ingredient in baked goods. But in recent years, its high protein content of over 75 % has also made it particularly interesting for use in meat substitutes and vegan diets. Südzucker's nutrition research team is constantly working to develop new gluten-based products to replace meat partially or entirely. To this end, we set up a separate research laboratory for meat applications in Tienen, Belgium, in 2016.

BENEOPRO W-TEX:
Gluten at its best

GOAL
- To use plant-based products, especially as meat substitutes and in vegetarian foods
- To strengthen Südzucker's multipurpose sites by expanding production and the product portfolio

IDEA
- Developing BENEOPro W-Tex as a textured, gluten-based protein, consisting of 80 % gluten and 20 % flours

CURRENT STATUS
- Two varieties now market-ready
- Wide range of applications in popular products such as burgers and nuggets
- Additional products for special applications in development

EU PROMINENT PROJECT:
Looking for new protein products

PROMINENT

GOAL
- To turn by-products created during ethanol production and rice processing into functional proteins for the food sector

IDEA
- Three-year EU research project PROMINENT with eight European partners from science and industry
- Südzucker acts as an important partner for core tasks, such as process development, technology assessment and pilot production

CURRENT STATUS
- Project completed
- Two products developed
- Application tests currently underway involving PentoPro C-starch protein concentrate (for foods such as pudding) and PuriCPro C-starch protein isolate (for foods such as pasta)

2
products developed

8
project partners

0%
microplastic residues

Up to
50%
starch

100%
compostable at home

>800 t
less plastic in 2019

1 billion
chilled and frozen products a year

> € 500,000
research budget

WE THINK ENVIRONMENTALLY CONSCIOUS PACKAGING

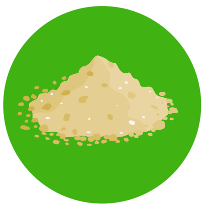
More recycling, less plastic

Südzucker processes agricultural raw materials on a large scale and uses packaging materials. At the same time, our raw materials – especially our sugar – can themselves act as the basis for sustainable packaging materials. As a responsible company, Südzucker is pursuing multiple approaches in this regard. In production, we generally try to reduce the amount of packaging used. Where packaging is unavoidable, we are increasing our use of recycled and recyclable materials. Moreover, we are using substances such as starch to develop organic plastic as a replacement for petroleum-based packaging throughout the market.

Thanks to our research, the packaging used in the business unit sugar is already 97 % recyclable today. That figure is set to rise to 99 % by 2022. Our goal is also to reduce the amount of polyethylene used by 10 % by 2022. To this end, over 20 projects are planned or are already underway within the group.

When it comes to the portion-pack products of the Südzucker subsidiary PortionPack Europe, which is in the special products segment, paper-based packaging material from sustainable and responsible forestry that is up to 100 % recyclable is being used for sugar portion packs following several years of development and testing. Yet Südzucker Group is already thinking one step further. For example, the group is looking into ways to make the circular economy for plastics as carbon-neutral as possible by using organic plastics.

AGENACOMP®:
Residue-free organic plastics blend



GOAL
- To develop a versatile organic plastics solution that is 100 % biodegradable in household compost, without microplastic residues

IDEA
- Developing a compound consisting of thermoplastic starch (AMITROPLAST®) and biodegradable polyester

CURRENT STATUS
- Innovative AGENACOMP® product market-ready and already TÜV-certified; made of up to 50 % thermoplastic starch and 50 % biodegradable polyester
- First product with high percentage of starch, offers the desired 100 % compostability without microplastic residues
- Wide range of applications, from tie-handle bags for fruit to shopping bags and packaging films

FREIBERGER:
Zero plastic waste

GOAL
- Freiberger, the world's largest producer of private-label frozen pizzas, believes it has a special responsibility when it comes to packaging. That is why the Südzucker subsidiary is aiming to achieve zero plastic waste

IDEA
- Over 800 t of plastic saved in 2019 by using cardboard instead of polystyrene, reducing the thickness of packaging and getting rid of inner bags
- Research projects to highlight further reduction options

CURRENT STATUS
- Joint research project involving Südzucker, AGRANA and a respected university
- Research budget of over € 500,000 between now and 2023
- Tests also cover the use of the starch-based, naturally degradable organic plastic AGENACOMP®, a Südzucker Group innovation
- AGENACOMP® is designed to replace primary films made of polyethylene, in which pizzas are packaged in addition to the outer box, thereby helping avoid plastic waste
- Various internal recycling loops are also being developed to further reduce the consumption of resources

To our **shareholders**

MANNHEIM, 22 APRIL 2020

Dear Shareholders,

It is not the first time in Südzucker's long history that we face major challenges, but a situation like the current Corona crisis is unprecedented. Not only does it dominate our private lives, but also the economy, the markets and our business, to a degree we have never before seen. We took steps at a very early stage throughout the entire company to ensure that we could continue to work, protect our employees and maintain our supply chains. As a producer of food, animal feed and ethanol, we are considered part of the 'critical infrastructure' that receives special attention from governments and administrators to ensure that we can continue to supply people with food. We are cognizant of our responsibility towards society, so we and our employees are making every effort to ensure that we can continue to operate and manage our business. We have received many positive messages about our efforts and our social commitment. This moves us greatly and further encourages us in these difficult times.

At the present time, we do not know how long we will have to live and conduct business under the influence of the Corona pandemic. But we want to thank our employees right now for how superbly they are managing these personal and corporate challenges. We also would like to thank our suppliers, service providers and trading partners.

The consequences of the Corona pandemic on society, the economy and corporate values worldwide cannot be realistically assessed at this point in time. However, the impact on stock markets and share prices is clearly visible: Stock markets have plummeted and Südzucker's share price has also dropped sharply since the beginning of the crisis. At the same time, Südzucker Group is well-positioned and the company's short and long-term financing needs are covered by appropriate instruments.

Although at the present time current and future challenges are keeping us all occupied, we would still like to provide a brief overview of the fiscal year just ended.

Group results much better than expected thanks to further success in the non-sugar segments

Our long-held diversification strategy proved to be very stabilizing for the entire group last fiscal year. We were able to generate an operating result of € 116 (27) million on revenues close to last year's of € 6,671 (6,754) million, even though the sugar segment still reported substantial losses.

Dividend recommendation reflects results

The results are also reflected in our dividend recommendation. We will again recommend a dividend of € 0.20 (0.20) per share, corresponding to a distribution of € 41 million. This is in line with our dividend policy, which is geared toward continuity and sustainable results growth.

Sugar segment restructuring process yielding results

We have taken a major step toward returning the sugar segment to profitability. By shifting our focus to customers in Europe and closing five sugar factories, we have cut our sugar production capacity by 700,000 tonnes. At this juncture we want to especially thank our employees at the Brottewitz, Eppeville and Warburg factories, which closed after the 2019 campaign. Despite the stressful situation, they worked in “their” sugar factory with full commitment and dedication right up until the last day. Because of widespread strikes, the beet campaign unfortunately had to be ended early on 3 November 2019 in Cagny. Strzyżów was already closed after the 2018 campaign. Overall, we produced about 4.5 million tonnes of sugar in our factories during the last campaign – just under 4 % less than last year, driven mainly by the significantly reduced cultivation area.

One challenge was extremely low European sugar market prices. World sugar market prices, after recovering temporarily, have dropped again since the beginning of the Corona crisis. Neither has anything changed with regard to the competition distorting policies in the EU; for example, coupled payments, various plant protection substance regulations and world market subsidies. In addition, the sugar segment’s at equity result is substantially impaired by expenses resulting from the strategic restructuring of ED&F Man Group.

We are working on further optimizing our structures and processes in order to reduce costs and make the sugar segment more resilient. In addition to adjusting our production capacities, we are examining potential administrative organization optimizations with the help of external consultants. We plan to implement the recommendations in the interests of the group overall and are working together with employee representatives on socially acceptable solutions.

We are confident that our strategy for the sugar segment is right and at the same time, that we can rely on the growth of the three non-sugar segments: special products, CropEnergies and fruit.

Special products segment growth continues

The special products segment, with its broad product portfolio, developed very successfully last fiscal year and steadily expanded the capacity of all its divisions in line with rising demand. Driving the growth of functional ingredients were the versatile dietary fibers inulin and oligofructose, which are increasingly in demand due in part to their scientifically proven positive nutritional and physiological properties. We were able to increase the volumes of our chilled and frozen products, especially in the UK, Eastern Europe and the United States. Volume growth in the various starch products segments was equally successful. The growth confirms our strategy to continuously work on new innovative products, often together with our customers.

Successful year for CropEnergies

Climate change has caused many governments to rethink their plans and brought about the introduction of stricter laws and guidelines in Europe. These changes generate new opportunities for CropEnergies: Ethanol made from renewable raw materials cuts greenhouse gases by over 70 % in the overall ecological balance equation and thus contributes to achieving climate goals. Last year was the most successful to date since CropEnergies was founded. Nevertheless, the Corona crisis and the massive restrictions on mobility throughout Europe have dramatically cut demand for fuels and caused the price of crude oil to plummet, with commensurate effects on ethanol volumes and sales revenues. But the resulting increased ethanol demand for pharmaceutical applications such as disinfectants is by far not enough to compensate this contraction. The long-term impact on volumes and prices cannot be assessed at this time.

Fruit segment remains below expectations

The fruit segment's growth remained below expectations. Due to higher costs, the fruit preparations division results in particular came in below last year's despite higher overall volumes. On a positive note, the segment was able to penetrate new market sectors in the stagnating markets of western industrial countries and Asia. But the generally difficult economic situation in South America makes things difficult. In the fruit juice concentrates division, we had to contend with a combination of low selling prices for apple juice concentrates from the huge harvest in 2018 and falling production volumes and higher apple prices due to the poor 2019 apple harvest. We were unable to fully load our factories in Poland and Hungary due to the weak 2019 apple harvest.

We think future

That is the title of our annual report. On the previous pages, we provided you with a cross section of the innovations on which our various research divisions are working to develop perspectives and opportunities for our company. In recent years, we have prioritized investing in the infrastructure of our research centers so that we can be even better positioned in future.

The term "future" also ties into the outlook for the current fiscal year. In the past, dear shareholders, this is where we have given you a forecast for the development of revenues and operating results. Since such a forecast is presently highly uncertain and also very complex due to the Corona crisis, we refer you to the appropriate chapter starting on page 94. We provide detailed numbers there. Nevertheless, there is one more thing to say: it is essential that we significantly improve the operating result and cash flow. This applies equally to confirming our investment-grade rating, which is of key importance for us. We are determined to achieve our business targets and you will judge us by the results. However, our task during these particularly exceptional times is also to reliably supply the population with our food and animal feed products. And CropEnergies' significantly higher production volumes of pharmaceutical ethanol help eliminate bottlenecks in the production of disinfectants.

Back to future related topics: Südzucker will continue to build on its long-term successful diversification strategy. A further important topic is handling climate change and the challenges it entails for us, as well as implementing associated political and societal demands on us as a company. We are aware of our responsibility, which is why Südzucker Group is working diligently on the forward strategy for our energy supplies. We have already gained experience in many areas and achieved some success, especially in terms of energy efficiency. But a large part of our work lies ahead of us if we want to remain successful and profitable.

Digitalization offers Südzucker Group significant potential. We are assiduously processing topics and tasks that can generate added value for Südzucker; for example, robot-assisted process automation for exchanging digital data and documents based on data pools. We have provided a detailed overview of a number of projects in the agricultural area on previous pages.

Our employees – our strength

We thank all Südzucker Group employees for their efforts last year. We are particularly grateful that we are all working together toward bringing "our Südzucker" back on the road to success. You have all grappled with the challenges of recent weeks with commitment and considerable flexibility to ensure that Südzucker Group remains capable of operating and delivering. We all can be proud of this performance and will certainly think back to this memorable period for a long time.

We want to and must adapt our work environment to current and future requirements and continue to build on a culture that permits optimum collaboration, rewards performance, promotes creativity and offers esteem. We will continually enhance the working conditions of our employees and leaders in order to achieve this. We want to continue to offer our employees and managers a motivating and inspiring work environment.

Dear shareholders, we thank you for your loyalty during these difficult times. Last year we took pivotal steps to bring the entire company back on the road to success. We look forward to continuing to work with you on the road to a successful future for our Südzucker Group.

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
- Audit
- Quality management

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. 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 (since 29 January 2020)
- Research & Development
- Convenience Food / Functional Food (since 29 January 2020)
- 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 acting manager of the central region in 1991 and manager in 1995. Appointed chairman of Südzucker International in 1997 and a year later, also took responsibility for Moldova. Named speaker of the executive board of Südzucker Polska in 2004. Member of Südzucker AG's executive board since September 2007.

[1] Other board memberships are listed on page 195.

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

Initial appointment: 31 January 1994
Term ends: 28 February 2021

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

Dr. Wolfgang Heer
Ludwigshafen am Rhein, Germany
Chairman

Portfolios (until 29 January 2020)
- Sales
- Strategy
- Public relations
- Compliance
- Human resources
- Organization / IT
- Audit
- Quality management
- Convenience Food / Functional Food

Until 29 January 2020
Initial appointment: 1 March 2008

SUPERVISORY BOARD[1]

Dr. Hans-Jörg Gebhard
Chairman
Eppingen, Germany

Chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.

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

Former Trade Union Chairman of the Food and Catering Union

Erwin Hameseder
Second Deputy Chairman
Mühldorf, Austria

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

Thomas Bernhard[2]
Wunstorf, Germany

Trade union secretary of the Food and Catering Union

Helmut Friedl
Egling a. d. Paar, Germany

Chairman of the Association of Bayerische Zuckerrübenanbauer e. V.

Ulrich Gruber[2]
Plattling, Germany

Deputy chairman of the central works council of Südzucker AG

Veronika Haslinger
Vienna, Austria

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

Georg Koch
Wabern, Germany

Chairman of the Association of Zuckerrübenanbauer Kassel e. V.

Susanne Kunschert
Stuttgart, Germany

Managing director of Pilz GmbH & Co. KG

Walter Manz
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]
Gerwisch, Germany

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

Ulrike Rösch[2]
Bellheim, Germany

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

Joachim Rukwied
Eberstadt, Germany

Chairman of the German Farmers' Association

Bernd Frank Sachse[2]
Zeitz, Germany

Chairman of the works council at the Zeitz factory 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 193.
[2] Employee representative.

REPORT OF THE SUPERVISORY BOARD

Dr. Hans-Jörg Gebhard
Chairman

Ladies and Gentleman,

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

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

The supervisory board continued to work on the basis of mutual trust and in the spirit of a results-oriented team with the executive board in fiscal 2019/20. In doing so, the supervisory board concentrated on the tasks for which it is responsible by law, the company's articles of association and the rules of procedure: to monitor and advise the executive board in the latter's management of the company.

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

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

Supervisory board meetings and decisions

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

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

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

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

At the **14 November 2019** meeting, the CFO presented the updated results projection for 2019/20. The supervisory board focused on the participation in ED&F Man. As always during the November meeting, the supervisory board addressed the issue of corporate governance and also conducted its annual test of effectiveness and ratified declaration of compliance for 2019. The supervisory board approved investment amendments of Südzucker Group, an investment project of PortionPack Europe, two AGRANA participation projects and a property transaction of Südzucker AG. In addition, succession planning for the executive board was discussed in detail.

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

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

Attendance

Veronika Haslinger was excused at the meeting of 15 May 2019 but participated in the decision via a written vote. Otherwise, all supervisory board members personally attended the meetings. No member of the supervisory board took part in only half or fewer than half of the board's meetings or of its committees.

Supervisory board committees

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

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

The supervisory board **chairman's committee** convened six times in fiscal 2019/20 – prior to the supervisory board meetings on 15 May 2019, on 17 July 2019 and on 14 November 2019, as well as on 29 July 2019 (telephone conference), on 6 September 2019 and on 17 October 2019. The meetings dealt with succession planning for the executive board and the sugar segment strategy.

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

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

At its **7 May 2019** meeting and in the presence of the external auditors PwC it discussed matters relating to the annual financial statements of Südzucker AG and the consolidated financial statements. It prepared the supervisory board financial review meeting – at which the chair of the audit committee reported – and approved the recommendations of the audit committee. In addition, it discussed the recommendation regarding the appointment of the auditors, checked their independence and finally submitted a recommendation to the supervisory board in favor of the appointment of PwC as auditor of the consolidated financial statements and as auditor of the non-financial statement (limited assurance) for the financial year. The board also dealt with the subject of compliance.

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

In the **8 October 2019** audit committee meeting, the auditors dealt with monitoring the accounting process, the effectiveness of the internal controlling system, the risk management system and the internal audit system, as instructed by the supervisory board. Another agenda item was the discussion of the half-year financial report.

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

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

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

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

The **mediation committee** had no reason to convene in fiscal year 2019/20. Neither did the **social committee** meet.

Supervisory board effectiveness test

In accordance with paragraph 5.6 of the German Corporate Governance Code, the supervisory board again conducted a test of its effectiveness. This is done annually using a questionnaire, without external assistance. Each year, the questionnaire is revised according to the latest changes to the code. The questionnaire was assessed in the meeting on 14 November 2019, at which time the results were discussed and improvement recommendations made. The aim is to continuously improve the work of the supervisory board and its committees.

Compliance

On 10 January 2020, the executive board, external auditor, chairman of the supervisory board and audit committee sat for the regular fraud and corruption risks review meeting. The topics presented and discussed included the assessment of business risks and measures to limit the risks arising from fraud and corruption.

Corporate governance

A detailed description of corporate governance at Südzucker, including the wording of the supervisory board's diversity goals for its future composition and the declaration of compliance for 2019 issued by the executive and supervisory boards, can be reviewed in the corporate governance report. In addition, all relevant information is available on the Internet at www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

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

Conflicts of interest

The supervisory board was not advised in fiscal 2019/20 of any conflict of interest on the part of any of its members, nor of members of the executive board, especially one that could arise as a result of a consultation or board duty related to customers, suppliers, creditors or other business partners.

Financial statements

The auditors PwC were selected by the shareholders at the annual general meeting at the recommendation of the supervisory board. PwC has reviewed the financial statements and management report of Südzucker AG for fiscal 2019/20, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2019/20 and issued a qualified audit opinion on each of them. The auditor also confirmed that the executive board suitably complied with its duties as outlined in article 91, paragraph 2 of the German Stock Corporation Act (AktG). In particular, it established an appropriate information and monitoring system that meets the needs of the company and that is suitable for early detection of developments that may threaten the company's survival. PwC has audited the group and individual financial statements since the 2003/04 fiscal year. Michael Conrad has been the responsible auditor at PwC for Südzucker AG since 2016/17.

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

The documents to be audited and the PwC audit reports were sent to each supervisory board member in a timely manner. Representatives of the auditors PwC participated by telephone in the audit committee's 7 May 2020 meeting and in the supervisory board's financial review meeting of 13 May 2020 and provided a detailed report on the proceedings and result of the audit of the financial statements and the non-financial statement (Limited Assurance). After carefully reviewing the auditor's reports, the supervisory board agreed with the results of the PwC audit. The results of the preliminary review by the audit committee and the results of its own review are in complete agreement with the results of the external audit. The supervisory board raised no objections to the audit reports submitted. In its meeting of 13 May 2020, it endorsed the financial statements for Südzucker AG and consolidated Südzucker Group financial statements prepared by the executive board. The financial statements of Südzucker AG are thus adopted.

The supervisory board concurs with the executive board's recommendation made on 22 April 2020 regarding the distribution of a dividend in the amount of € 0.20 per share.

Personnel

The following personnel changes were made to the **supervisory board**:

As reported in the previous year, Mr. Ralf Hentzschel, independent farmer in Panschwitz-Kuckau, Germany, resigned from the supervisory board on 13 March 2019. On 12 April 2019, the registration court initially appointed Mr. Walter Manz, independent farmer in Dexheim, Germany, as his successor. He was then elected at the annual general meeting on 18 July 2019.

The following personnel changes were made to the **executive board**:

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

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

Mannheim, 13 May 2020

On behalf of the supervisory board

DR. HANS-JÖRG GEBHARD
CHAIRMAN

SÜDZUCKER SHARES AND CAPITAL MARKET

Capital market environment

Markets set new records in fiscal 2019/20, both internationally and in Germany, driven by a massive liquidity injection together with a slight easing of trade conflicts. The Dow Jones and NASDAQ as well as the DAX®, MDAX® and SDAX® saw new record highs in mid-February 2020.

At the same time, corporate profits and profit forecasts in Germany trended downward in light of weakening economic momentum combined with geopolitical tensions. Listed exporting companies suffered disproportionately from the threat of punitive US tariffs and cooling growth in China. The automotive industry and its parts suppliers were additionally weighed down by the ongoing diesel debate and the sector's structural shift toward electromobility.

The fact that the DAX® rose significantly in spite of all this was due to a massive liquidity injection as central banks continue to keep interest rates low. America's Federal Reserve pursued a monetary policy about-face and reduced the prime rate three times in a row. On 12 September 2019, the European Central Bank cut the deposit rate ten basis points to –0.5 % and restarted its financial asset purchase program in the amount of € 20 billion per month, buying not only government, but also investment-grade corporate bonds.

The yield on ten-year German government bonds slipped further from 0.18 % at the end of February 2019 to –0.61 % on 29 February 2020, increasing the spread between the dividend yield of the DAX® and ten-year bonds.

An all-time market high in mid-February 2020 was followed by crashing market valuations globally as reports of Coronavirus spreading throughout the world dominated the news. The DAX® and MDAX® closed sharply lower at 11,890 and 25,367 respectively on 28 February 2020.

Südzucker's share price performance

Südzucker's share price throughout fiscal 2019/20 continued to be largely driven by developments in the ethanol and sugar markets.

The shares opened at € 12.94 on 1 March 2019, and trended higher after Südzucker published its first guidance for fiscal 2019/20, confirmed that it would pay its hybrid bond coupon and confirmed its initial results forecast dated 16 May 2019. The upward adjustment of the consolidated group result forecast on 25 October 2019, reinforced by a very positive ethanol and sugar price trend drove the stock to an annual high of € 16.95 on 13 February 2020. In the wake of the market corrections triggered by the beginning of the Coronavirus pandemic, Südzucker's fiscal year-end share price also dropped sharply, closing at € 14.07 on 28 February 2020. For fiscal 2019/20 overall, the shares gained 11 %, while the SDAX® rose 5 % to 11,331 during the same timeframe.

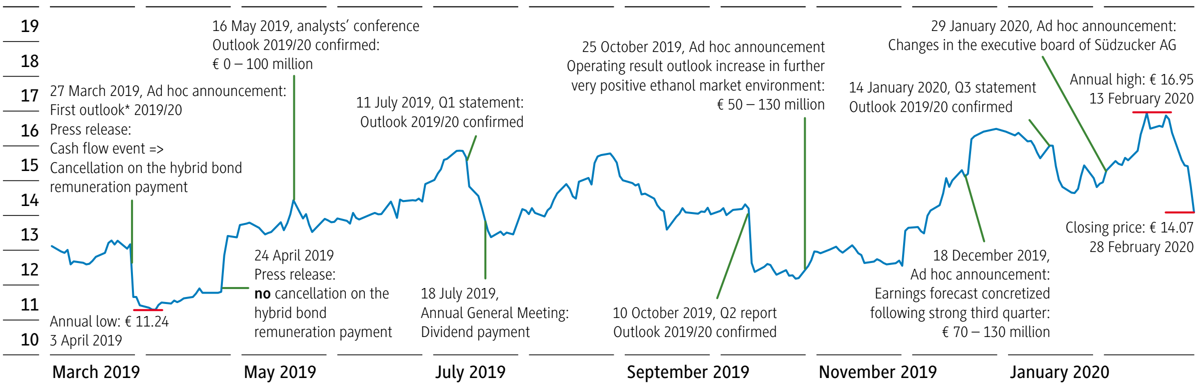
Shareholder structure stable

Südzucker AG continued to have two major long-term shareholders. As of 29 February 2020, SZVG held 58.3 % 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 of Südzucker shares, 31.4 %, is held by private investors, investment funds, pension funds and insurance companies predominantly in Europe and North America.

Südzucker's share price performance

1 March 2019 to 29 February 2020

Share price in €



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

DIAGRAM 001

Südzucker share data

		2019/20	2018/19
Market capitalization [1]	€ million	2,873	2,625
Freefloat – market capitalization [1]	€ million	903	892
Number of shares issued at € 1 [1]	million shares	204.2	204.2
Xetra® closing price [1]	€	14.07	12.86
High for the year (Xetra®)	€	16.95	15.51
Low for the year (Xetra®)	€	11.24	10.99
Average trading volume / day [2]	thousand of shares	683	851
Cumulative trading turnover	€ million	2,420	2,832
Closing rate SDAX® / prior year: MDAX® [1]	points	11,331	10,805
Performance Südzucker share (1 March to 28 February) [3]	%	11.1	−9.7
Performance SDAX® (1 March to 28 February)	%	4.9	−11.0
Dividend [4]	€/share	0.20	0.20
Dividend yield	%	1.4	1.6
Earnings per share	€	−0.60	−4.14

[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] 2019/20: Proposal.

TABLE 004

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 key earnings figures.

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

1 March 2015 to 29 February 2020
(Indexed) in %

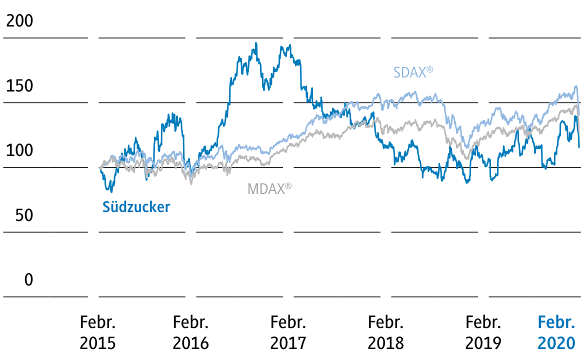


DIAGRAM 002

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 19 June 2019, Moody's confirmed the company's corporate and bond rating of Baa3 and confirmed the negative outlook. Following the release of the quarterly statement on 14 January 2020, Moody's reaffirmed its rating on 15 January 2020 and appreciated the improvement in the sugar market environment and the rise in ethanol prices. Moody's left the subordinated hybrid bond equity credit unchanged at 75 %.

S&P confirmed its long-term corporate rating of BBB- on 24 May 2019 and changed the outlook to negative. Also S&P acknowledged the published figures within its bulletin from 14 January 2020 as positive und supportive for the rating. The subordinated hybrid bond is further being 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

The executive board and investor relations department presented the group's development to investors, analysts and other market players at countless European financial communities. Südzucker is publishing 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

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

SPECIAL PRODUCTS SEGMENT

4 Divisions

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

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

- 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
  27 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

* Number of sugar factories operating in the 2020/21 campaign.

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 152 (156) 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 item 38 of the notes to the consolidated financial statements ("List of shareholdings in accordance with section 313 (2) HGB") to this annual report.

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

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

Group management

Südzucker AG's executive board independently manages the businesses and is supervised and guided by the supervisory board. The executive board is bound to work in the corporation's interests and is responsible for increasing shareholder value. The executive board members are jointly responsible for managing the entire company. The executive board members jointly manage the sugar and special products segments, whereas specific executive board members are responsible for the CropEnergies and fruit segments. Individual executive board members bear sole responsibility for the executive board decisions related to the divisions and group functions assigned to them. The executive board's rules of procedure outline the details of the board's work. Südzucker AG's articles of association stipulate that important business transactions are subject to the consent of the supervisory board.

The executive board is responsible for appropriate risk monitoring and management at the company. It is also responsible for ensuring that executive management positions are appropriately filled. The executive board is also responsible for ensuring that the company complies with statutory requirements and 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 focus 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, exclusively 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 covered through a commercial paper program in the amount of € 600 million and syndicated and bilateral credit lines.

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

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

Business model

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

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

Südzucker operates worldwide with its BENEO and Freiberger divisions and the fruit segment. The sugar, starch, starch saccharification products and ethanol businesses focus on Europe.

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

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

Our business model is based on handling agricultural raw materials sustainably. We conserve resources when producing our products by using low-emission 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, safe food.

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

Group strategy

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

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

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

We focus on megatrends

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

Our customers can count on us as a reliable partner

We offer our customers the products they are looking for – reliably and safely. We meet changing customer requirements with innovations.

We aim to strengthen our market position

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

We have a diversified portfolio

We maintain reasonable risk exposure by diversifying our product portfolio and spreading it out across diverse geographic regions and markets. This will continue to be our approach.

We take advantage of synergies

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

We focus on our core competencies

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

We have a solid group financing strategy

Our goal is to strengthen Südzucker Group's sustainable cash flow capacity and maintain strong relationships with shareholders. Our investment-grade rating ensures we have access to international capital markets and banks so that the divisions can continue to grow (→ Financing management).

We invest strategically and focus on value

We will further strengthen all of our divisions in order to secure future growth. The main focus is on investments that cut energy consumption and expand capacities. We strive to boost the value added of our products. Examples include the betaine crystallization system and the step-by-step expansion of the production systems in the various BENEO Group categories.

We consider sustainability to be a fixed and living component of our corporate strategy

Corporate management is committed to conducting business sustainably, whereby the key principle is to handle all of our resources carefully. We focus especially on the medium to long-term reduction of greenhouse gas emissions through energy saving initiatives and substitution of energy sources, as well as promotion of biodiversity (→ Sustainability)

We support and foster our employees

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

Our group strategy sets the framework according to which the segments operate

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

Sugar segment

- Focus on European customers
- Strengthen market and competitive position through cost savings in production, logistics and administration
- Market oriented organization
- Optimum utilization of our multipurpose production network and our logistics network to reliably supply customers with high-quality products
- High loading of production capacities through long campaigns
- Maintain our strong relationships with farmers

Special products segment

BENEO

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

Freiberger

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

Starch

- Focus on highly refined specialty products
- Expand customer relationships using innovative products and application consulting
- Further strengthen leading position in organic starches and GMO-free starches categories

PortionPack

- Expand market leadership position for portion packs in the European out-of-home consumption sector and seize market opportunities outside Europe
- Innovation leadership: develop new product concepts in the “portion solutions” area
- Further improve cost efficiency across the entire value chain

CropEnergies segment

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

Fruit segment

- Customer and market focused global growth
- Improve factory efficiencies
- Secure and strengthen market position through organic growth as well as acquisitions and acquiring stakes in other companies

Fruit preparations

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

Fruit juice concentrates

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

Our guiding principles

Südzucker’s code of conduct is a key component of Südzucker’s image as a trustworthy and reliable partner. It provides a binding basic understanding about the ways and means of internal and external cooperation. The following is a summary of our guidelines.

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

Sustainability

Rooted in our corporate culture

Refining agricultural raw materials to produce high-quality food, animal feed and ethanol is central to our business model. The continuous availability of these raw materials is crucial in this context. Südzucker has a strong association with agriculture and thus also with nature. Sustainability is also one of our customers' corporate values and increasingly influences consumers' buying decisions. Accordingly, the principle of sustainability is therefore a fixed and practiced part of our corporate strategy. We are committed to sustainable business practices in all parts of the company and all regions on all levels.

Sustainability management

Sustainable practices are anchored in our group-wide company guidelines and form an integral part of our corporate strategy. Our activities along the entire value chain are analyzed for significant impacts on ecology, economy and society, their development is monitored, and appropriate measures are taken.

Our sustainability strategy

Our business conduct along the entire value chain, from agricultural raw materials to finished products, is guided by sustainability and we take responsibility for our customers, employees, the environment and society.

Our ambition is,

- to procure the agricultural raw materials in compliance with high quality and sustainability requirements and to use them to the greatest extent possible,
- to continuously enhance production technologies in order to conserve resources,
- to apply effective quality, environmental and energy management systems,
- to respect the interests of all major Südzucker stakeholders,
- to produce a wide range of safe and high-quality products.

Stakeholder

The stakeholder groups identified and communications methods (→ table 007) used are unchanged compared to the previous years.

Stakeholder groups and communications methods

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

TABLE 007

Materiality analysis

As in previous years, Südzucker conducted a materiality survey asking selected stakeholders to rate the degree of importance of issues related to various sustainability aspects as high or very high (environmental concerns, employee concerns, social concerns, human rights, bribes and corruption avoidance). The focus this year was on the survey of our sugar beet farmers. The results were incorporated into the existing materiality analysis.

Evaluation of the relevance of sustainability issues for Südzucker

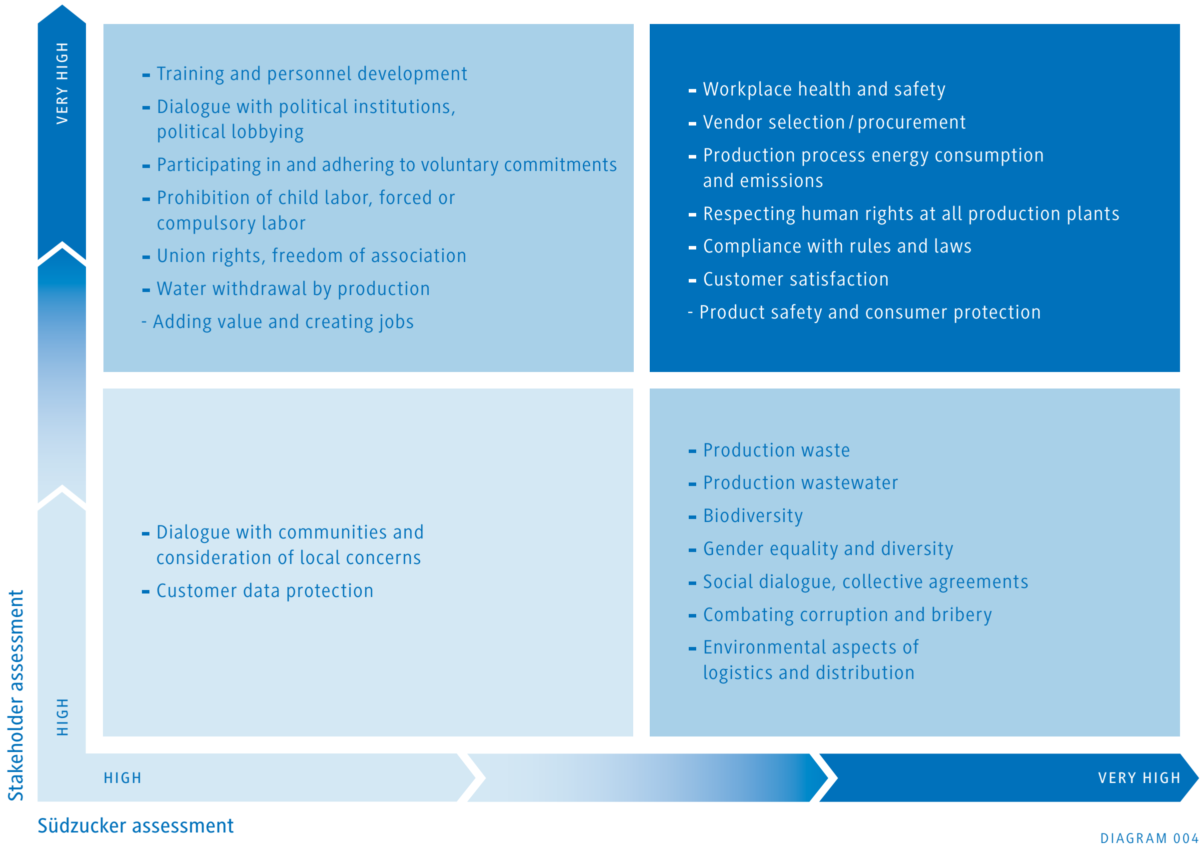


DIAGRAM 004

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

Summary of aspects subject to mandatory reporting

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

TABLE 008

External assessment of sustainability

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

Südzucker Group advocates and supports the following sustainability initiatives and organizations (→ table 009).

Key sustainability-oriented initiatives and organizations

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

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

TABLE 009

Sustainable Development Goals of the United Nations (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

Vision / Guidelines

Südzucker Group is committed to conducting business in a manner that utilizes resources sustainably and prevents any negative impact on the environment. In addition, we aim to be climate neutral by 2050.

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

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

2050 climate goal

Since many of our manufacturing processes are energy intensive, we have always focused on improving energy efficiency and thereby reducing greenhouse gas emissions. This has enabled us to improve considerably in the past. We include the supply chain in our activities, especially in the sugar segment.

Since the mid-2000s, we have steadily increased our contribution to reducing greenhouse gas emissions in the European transport sector by producing fuel grade ethanol from renewable raw materials. At some of our sites, we also feed biomethane and / or green electricity from biogas into the public distribution networks.

Our current management approach is aligned with the climate protection goals of the European Green Deal – an ambitious further reduction in greenhouse gas emissions by 2030 and balance sheet climate neutrality by 2050 – and the requirements of national climate legislation. So we intend to do our part and help shape the path to climate neutrality in 2050.

For us this results in three fields of endeavor:

- Climate neutral production by 2050: Our focus is on reducing greenhouse gas emissions from energy production and consumption.
- Optimize supply chain: We focus on reducing greenhouse gas emissions when cultivating our agricultural goods as well as in the logistics of our raw materials and products.
- Provide biomass-based products for the non-food sector: Our focus is on sugar and / or starch-based products that replace fossil-based raw materials and thereby contribute to climate protection. In addition to producing bioenergy, we see market opportunities in the area of organic plastics and chemicals

Production

Management policy

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

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

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

Goal: climate neutral production by 2050

Südzucker Group is committed to the challenging goal of climate neutral production by 2050. This can only be achieved in a step-by-step fashion through a blend of measures supported by the government and society. The possible measures primarily fall into two major categories; namely, improving energy efficiency and using renewable energy sources.

Although further improving energy efficiency using today's technology is only possible to a limited extent, Südzucker has the option of transitioning to renewable energy sources – in addition to purchasing fuels, heat or electricity from renewable sources – as well as producing energy from biomass in-house.

Energy and emissions

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

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

Energy use per tonne of product and the share of renewable energy and emissions per tonne of product were largely the same as the year prior, while emissions per tonne of product declined slightly. One of the reasons for this is the shutdown of the Strzyzów sugar plant, which used hard coal as fuel.

Water withdrawal and water discharge

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

Water withdrawal / water discharge in the Group

Million m³	2015/16	2016/17	2017/18	2018/19	2019/20
Surface water	21,1	23	25,2	26,3	27,8
Groundwater	10,2	10,2	11,2	12,4	12,8
Water supplier	2,8	2,8	3,3	3,7	3,8
Water withdrawal	**34.1**	**36.0**	**39.7**	**42.4**	**42.4**
Water discharge	**32.9**	**38.1**	**40.7**	**40.3**	**39.6**

TABLE 010

Group energy consumption

Gigajoules per tonne of product

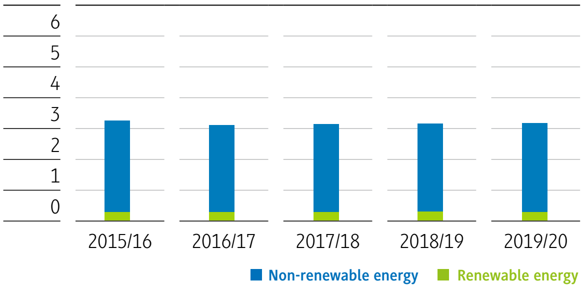


DIAGRAM 005

Group emissions from direct and indirect energy consumption

Tonnes of CO_2 equivalent per tonne of primary and byproduct

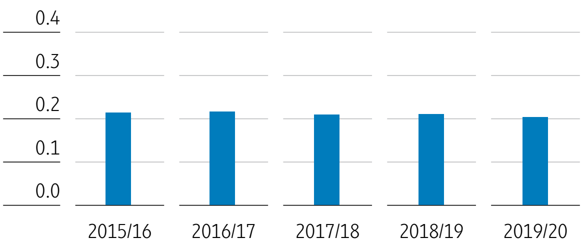


DIAGRAM 006

Of the total water withdrawn, over 60 % is surface water, especially from rivers. It is primarily used for sugar production cooling systems; that is, the water is used for process cooling and then routed directly back to the receiving streams. The absolute volumes of water withdrawn and water discharge are almost unchanged from the year prior.

Waste

Thanks to integrated production concepts, the input raw materials the company purchases are almost entirely converted to high-value products. The total waste volume is much less than last year. This was due in part to the elimination of small beet parts that were until now partially tallied by the sugar segment and changes to the process at a fruit preparations site in Mexico. Instead of depositing organic waste in landfills as has been the practice to date, they are now sold or given away to better recycle them.

Waste types and quantities in the Group

Thousand of tonnes	2015/16	2016/17	2017/18	2018/19	2019/20
Recycling	376.0	241.5	296.5	302.3	276.3
Landfill	86.5	67.0	68.6	65.9	46.6
Composting	60.2	56.4	75.3	91.2	82.0
Incineration	22.6	19.6	24.7	25.8	32.5
Other	17.2	20.3	28.5	16.8	10.1
thereof dangerous waste[1]	*1.5*	*0.8*	*1.6*	*1.6*	*1.5*
Total	**562.4**	**404.7**	**493.5**	**501.9**	**447.5**

[1] Mainly used lubricants from production.

TABLE 011

Procurement

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

Management policy

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

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

In fiscal 2019/20, the company processed about 35 million tonnes of agricultural raw materials, such as sugar beets, grain, corn, chicory and fruits, at over 100 production sites around the world. Renewable agricultural materials thus comprise the largest share of the procurement volume.

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

The EU agricultural policy emphasized the need for environmentally sound farming. In addition to complying with the compulsory greening mechanisms, sugar beet may be grown in a field at the earliest every third year to keep the soil healthy. Südzucker has been supporting growers in planting flower strips since 2014 to foster biodiversity. The number of flowering strips at the edge of sugar beet fields has increased from year to year to around 1,800.

Südzucker's basic aim is to purchase a high share of the agricultural raw materials processed by the company regionally and directly from the farmers, also in order to be able to improve sustainability aspects together with the growers. For example, Südzucker buys sugar beets exclusively from farming operations situated close to its sugar factories. Each cultivation year, the company signs annual sugar beet supply contracts governing cultivation, supply and payment conditions. Only GMO-free seed is used. At Südzucker, the cultivation of organic beet is gaining in importance. It is carried out in accordance with the Council Regulation on Organic Agriculture and the standards of the Organic Farms Association based on it. The minimum standard is BioSuisse.

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

Sustainable Agriculture Initiative Platform

Südzucker is a member of the Sustainable Agriculture Initiative Platform (SAI), the leading global initiative for promoting sustainable farming methods. By actively participating in SAI, we document our adherence to wide-ranging sustainability criteria.

Südzucker and its sugar beet growers were again able to demonstrate adherence to the SAI sustainability criteria in 2019 by receiving the RedCert2 certificate and by participating in the Farmer Self Assessment (FSA) survey. In the starch, fruit juices and fruit preparations divisions, too, a large number of suppliers successfully participated in the FSA.

Modern and sustainable farming

Südzucker supports its farmers by providing wide-ranging expertise, for example in regard to soil treatment, seed selection, plant protection and soil fertility, to help them operate modern, sustainable farms.

At Südzucker's experimental farm in Kirschgartshausen, this expertise is being further developed and current topics such as alternative weed control or the use of digital tools are being addressed. Scientific and large-scale experiments are conducted at the site, and sample plots are cultivated for practical use and the public. Staff also develops strategies for future production systems.

Another important topic for agriculture is fertilization. Südzucker analyzes soil samples using electro-ultrafiltration (EUF) as a basis for specifying fertilization precisely tailored to the crop and specific location. This enables farmers to prepare a precise fertilization plan, make optimum use of the nitrogen already present in the soil, reduce the risk of nitrate leaching and at the same time comply with the stringent requirements of the new fertilization ordinance, especially in nitrate contaminated areas. When fertilized according to EUF analyses, sugar beets are even considered a "remediation crop" because they effectively use the nutrients present in the soil and after the harvest in fall, leave only trace amounts of nitrate under the other crops. To expand these analyses further, soil samples are in future to be increasingly collected mechanically with the help of GPS to establish a basis for subplot-specific nutrient and fertilizer maps. The goal is to further optimize nutrient cycles.

Biodiversity

In 2019, about 392,000 ha of sugar beets were cultivated for Südzucker Group. Südzucker assigns a high degree of importance to ensuring crops are rotated and that the company is promoting biodiversity. This is one reason the group has launched and supports countless programs that raw material suppliers use to contribute to biodiversity. The company has supplied free-of-charge seed mixtures for farmers to plant flowers at the edges of their fields in Belgium, Germany, France and Poland. In Austria, a seed mixture of flowers is used as an alternative to other intermediate crops. This helps loosen the soil, mobilize nutrients and activate soil organisms in the fields. The blooming fields and field edges also provide an ideal easement for wildlife, a bee pasture and an attractive landscape.

Logistics

Management policy

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

Procurement logistics

By far the largest volumes of about 35 million tonnes of raw materials processed by Südzucker Group are required for sugar and ethanol production – about 30 million tonnes of beets and grain in the past fiscal year.

In Belgium, Germany, France, Moldova and Poland, farmers use trucks to deliver beets directly from the fields to the sugar factories. A similar process is used to deliver chicory in Belgium and Chile. Südzucker released a logistics application in Germany and France called farmpilot, which enables trucks to optimize their routes along the field trails. Initial tests were carried out in Chile. This app enables continuous information flow between the beetroot harvesters, the beet loaders, the trucks and the sugar factory, thereby networking the entire logistics chain from the field to the factory. The app continuously optimizes the truck routes and eliminates unnecessary trips and waiting time.

In the countries where AGRANA has production facilities, about one third of the beets was delivered to the sugar factories by rail during the 2019/20 campaign. In Austria and Hungary, the share of beets delivered by rail was about 50 %.

The share of beets prewashed at the field is now about 93,3 % throughout the Group. 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.

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 50 % of the raw materials used arrive by ship, in Wanze, Belgium it is more than 66 %. 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

Our aim is to optimize shipping distances and select appropriate transportation methods in order to reduce transport-related CO_2 emissions to the greatest extent possible.

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. About 75 (67) % of shipments to Italy and roughly 20 (4) %[1] of shipments to Romania went by rail. 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 10,000 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 CropEnergies segment ships most of its products via rail and ship.

Packaging

An important Südzucker goal is to minimize any negative impact of our product packaging. We achieve this by avoiding disposable packaging as much as possible and by giving strong preference to environmentally friendly packages.

Last year the sugar segment was able to boost the share of bulk deliveries (solid and liquid sugar in BigBags, silo cars, etc.) from 53 to 60 %. CropEnergies ships nearly all of its products in bulk. 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 that they can be recycled: All paper and cardboard packaging is to be FSC-certified material by the end of 2020. Furthermore, all packaging is to be 100 % recyclable by 2021. In the Freiberger division, we currently have a project in progress that aims to reduce the plastic packaging used for pizzas by about 25 %. We are also analyzing to what extent we can use packaging films made from renewable raw materials.

[1] Comparing March – December 2019 to the previous year.

EMPLOYEES

Our employees at work around the world bring their diverse experience, skills, personalities and cultures to the table at Südzucker. Our employees' expertise and diversity in practice make us successful. To ensure this does not change, we aim to win talented employees for Südzucker, retain them and help them grow. To this end we offer a work environment that inspires and promotes teamwork. We treat our employees fairly and respectfully.

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

Employees by segment[1]

Employees by segment at balance sheet date

28/29 February	2020	2019	+/– in %
Sugar	6,597	6,950	–5.1
Special products	6,017	6,033	–0.3
CropEnergies	450	433	3.9
Fruit	6,124	5,803	5.5
Group	**19,188**	**19,219**	**–0.2**

TABLE 012

The total number of Südzucker Group employees as of the 29 February 2020 balance sheet date remained almost unchanged at 19,188 (19,219). Changes occurred within the segments. The sugar segment's employee count fell by about 350. The segment began executing the restructuring plan announced at the end of fiscal 2018/19 and temporarily closed a sugar factory in Moldova. The fruit segment's workforce expanded by about 320 persons, most of whom were added due to further fruit preparations division expansions in China and India.

Management policy

Südzucker's code of conduct (→ suedzucker.de/en/company/profile/code-of-conduct) is the basis for Südzucker's interaction with employees and for the employees' behavior towards each other and towards third parties. 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. Adherence to Südzucker's code of conduct is monitored by an internal audit and an anonymous whistleblower system.

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

Gender equality and diversity

Employees by region, relationship and gender

In fiscal 2019/20, the number of the company's workers permanently employed remained unchanged at 85 %. Only 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 4,396 (4,676) employees, as the country's share of the total declined slightly to 22 %. The share of permanent employees was 3,780 (4,062), nearly unchanged at 86 (87) %. The UK's exit from the EU on 31 January 2020 significantly shifted the numbers in the "Other EU" and "Other countries" categories. The totals are now 8,042 (9,521) or around 40 % of employees in the rest of the EU and 7,550 (6,099) or about 38 % in other countries. About 7,580 (9,038) or about 94 (95) % of the employees in the rest of the EU are permanently employed, and 5,531 (4,190) or about 73 (69) % in other countries.

Employees by region at balance sheet date (head count)

28/29 February	2020	2019	+/– in %
Germany	4,396	4,676	–6.0
Other EU	8,042	9,521	–15.5
Other countries	7,550	6,099	23.8
	19,988	**20,296**	**–1.5**

TABLE 013

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

As of 29 February 2020, the number of employees according to employment relationship and gender for the group overall were as follows:

Employees by relationship and gender

29 February 2020		Total	Permanent	Non-permanent
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**
28 February 2019				
Full-time	Male	13,472	12,205	1,267
	Female	6,118	4,440	1,678
Part-time	Male	123	96	27
	Female	583	549	34
Total		**20,296**	**17,290**	**3,006**

TABLE 014

Management

29 February 2020	Total	Male	Female
1st management level	143	131	12
2nd management level	368	282	86
Total	**511**	**413**	**98**
28 February 2019			
1st management level	162	146	16
2nd management level	375	294	81
Total	**537**	**440**	**97**

TABLE 015

For Südzucker Group overall, the percentage of women on the payroll at the end of 2019/20 was virtually unchanged at about 33 (33) %. The share of women working at management level increased by 1 % to 19 (18) %.

Age structure and length of service

The company's age structure continues to be relatively balanced. However, the upward adjustment of the legal age limit will in future be reflected in a higher percentage of older employees.

The average length of service within the group is almost unchanged from last year. Over 55 % of the employees have been working for the company for more than 5 years.

Employees according to age group in %

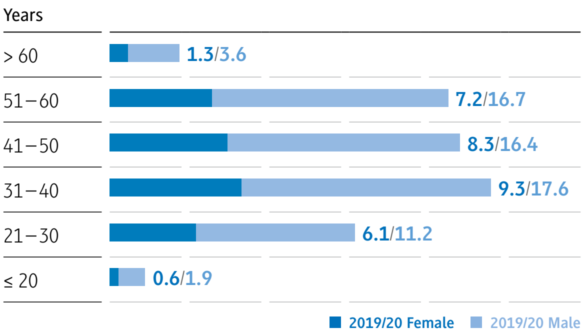


DIAGRAM 007

Gender equality

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

As a result of the company's very strong production and technology orientation, male employees still account for a significantly higher proportion of the workforce at all levels. The proportion 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 %.

Length of service in years in %

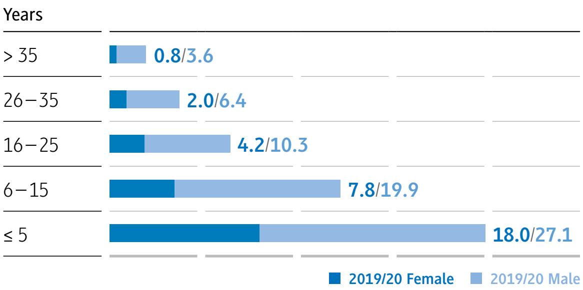


DIAGRAM 008

The following chart of new hires and employee turnover for employment relationships of indefinite duration shows the number of outgoing staff to be considerably greater. The number of staff turnover, which includes employer and employee terminations and retirements, exceeds that of new hires by more than 300.

New hires and fluctuation

2019/20	Total	Male	Female
New hires	1,703	1,317	386
Fluctuation	2,029	1,477	552
2018/19			
New hires	2,337	1,550	787
Fluctuation	1,852	1,314	538

TABLE 016

Employee development / training and continuing education

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

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

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

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

Career training

Südzucker Group's apprenticeship program is a key building block toward securing its own skilled workforce for the long term. The number of apprentices at Südzucker Group dropped significantly to 376 (423) as of 29 February 2020. This was mainly due to the closure of sugar factories in Germany and France after the 2019 campaign. In total, 218 apprentices were enrolled in the dual system in various professions at Südzucker AG, Freiberger Group and AGRANA in Germany as of 29 February 2020. In Algeria, France, Austria and Slovakia, around 125 people are trained according to a system comparable to one in Germany. The remaining apprentices are enrolled in the various local programs provided in Mexico, Morocco and the United Kingdom.

Apprenticeship careers at Südzucker Group

- Office management
- 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
- Machine and plant operation
- Mechatronics
- Metal technology
- Information systems

Workplace health and safety

Workplace safety

Guidelines

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

Management policy

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

Goals

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

This was done at the following sugar segment locations in 2019/20: Wijchen, Ropczyce, Strzelin, Oostkamp and Roye. In addition, Ryssen Alcools from the CropEnergies group in Loon-Plage as well as many other production locations in the fruit segment were all accident free.

The overall accident rate in fiscal 2019/20 was 10.8, down from last year's 12.1. At the same time, accident related lost time went from 189 to 173, which again reflects a significant drop in the severity of the accidents. Every work-related accident was examined in detail and suitable measures defined to avoid repetition. We use the new "Lessons learned" newsletter to inform workers throughout the group about on-the-job accidents, near accidents and other safety related events, and provide concrete action recommendations. In addition, a newsletter and the intranet serve to regularly report on current developments.

Injury rate and lost working day rate[1]

	2015/16	2016/17	2017/18	2018/19	2019/20
Injury rate	11.5	12.6	11.6	12.1	10.8
Lost working day rate	210	236	223	189	174

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

TABLE 017

The approaches to reducing work accidents and maintaining plant safety vary among the segments and/or divisions. Südzucker Group regional 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. Employees actively participate in ways to improve occupational health and safety via the corporate suggestion program.

Going forward, plans call for a common platform to provide more relevant e-learning content and efficient training documentation.

Health protection

We want to protect the health of our employees to the best of our ability. We therefore systematically implemented the government's recommended measures in connection with the Corona pandemic at an early stage throughout the group (home office, distancing, no gatherings, no physical attendance at seminars, hygiene). Employees returning from at-risk regions were released. As a result, we were able to prevent the virus from spreading at the company locations.

For day-to-day well-being, Südzucker offers employees a variety of programs to protect their physical and mental health, such as preventive measures (back exercises, yoga and health days) or reintegration programs after lengthy illnesses. The seminars and training are intended to heighten employee awareness of the importance of maintaining healthy professional and personal daily lifestyles. The Südzucker Group Campus Learning Management system will enable them to do it online in future. Part-time retirement programs help older workers manage the transition to retirement according to their individual state of health.

Despite all this the sickness ratio as measured based on sick pay rose to 4.1 (3.6) %.

Dialogue with employee representatives and unions

Südzucker is a co-determination company. This means that half of the supervisory board seats are held by its own employees and external members of the union. This ensures that employee representatives have a say in all key corporate decisions.

Social dialogue is embedded at Südzucker Group by the works council. The majority of workers also have employee representatives. The unions negotiate annual or multiyear collective bargaining agreements at almost all European sites as well as many locations around the world.

In the Sugar segment, almost all employees in most regions have a collectively agreed employment contract. In the other companies and at AGRANA, the average tariff commitment is about 70 %.

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

SOCIETY

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

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

Product responsibility and quality

Quality management and product safety

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

Management policy

All Südzucker divisions have implemented quality management systems to ensure that their products are safe and meet the desired quality standards – from the development stage of a product, through procurement, production up 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's production sites have an above-average impact on growth and employment. The business activities of the entire Südzucker Group generate gross value added of up to € 4.5 billion[1] per year across the globe. The gross value added multiplier, which measures the effect of the downstream activities, especially in agriculture, is 4.4, substantially higher than other sectors. The number of associated direct, indirect and spin-off jobs worldwide is around 90,000, of which more than two thirds currently come from the sugar segment. The remaining 30,000 jobs are provided by the special products, CropEnergies and fruit segments.

Social commitment

The focus of the Südzucker Group's social and community commitment is on promoting science and education, among others, also at universities, stewardship of the historic heritage of the sugar industry at our museum sugar factory in Oldisleben, Germany, and our corporate archive in Offstein, Germany, sponsoring sports and promoting local projects of various interest groups in the vicinity of our production plants.

Dialogue with various stakeholder groups

We value having a good relationship with the communities in which our production locations are situated, as well as with our neighbors. For example, the respective factory managers respond directly to local questions and concerns and interact with the local political representatives. Guided tours in our sugar factories enable visitors to find out about production from domestic sugar beet cultivation.

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

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

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

Respect for human rights

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

Management policy

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

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

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

SEDEX

Südzucker is a member of the online platform SEDEX (Supplier Ethical Data Exchange). It demonstrates to our customers and partners that we prioritize and adhere to the principles of ethical and social sustainability. Many Südzucker Group locations are audited according to SMETA (Sedex Members Ethical Trade audit); for example, by the sugar segment and the BENEO division in Germany, the starch division in Austria and the fruit segment in Austria, Poland, Turkey, Morocco, Brazil and the United States. All production locations registered with SEDEX also conduct an annual SEDEX Self Assessment. Audits were conducted at 51 (51) locations in fiscal 2019/20.

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
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

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

Our tasks and objectives are as follows:

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

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

We invest heavily in our research centers' infrastructure to ensure that our research and development activities remain successful in the future. Noteworthy initiatives include expansion of technical schools, installation of additional process systems and construction of ultramodern laboratories, all of which enable us to produce innovative products under certifiable conditions, as well as sharpen our focus on new Südzucker Group development and application fields.

The R&D department has 453 (456) employees throughout the group. Added to that are students working toward their bachelor's, master's and doctor's degrees, who do their academic work at Südzucker's research centers or production plants. The budget for research and development in 2019/20 was € 46,3 (44,9) million.

Raw material security

Plant protection

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

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

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

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

Varietals

All crops are facing challenges due to growing resistance of pathogens and pests, as well as extreme weather conditions. Suitable newly developed sugar beet 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 and bio-stimulants

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

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

Raw materials with special characteristics

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

Raw materials for starch

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

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

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

Processing technology

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

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

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

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

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

New technologies to reduce microorganisms at the surface of harvested fruits were implemented on a large scale for the **fruit preparations** division. Fruits treated in this manner can be more gently processed and are considered to have a better aroma, taste, appearance and color than conventionally processed fruits.

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

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

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

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

Recipes and application concepts

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

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

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

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

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

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

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

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

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

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

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

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

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

New products and technologies

Sugar

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

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

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

Fruit preparations

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

Starch

We are aiming to boost the starch concentration in biodegradable plastics to 100 %. In a recently completed dissertation we were able to demonstrate that starch concentration can be boosted by functionalizing the thermoplastic starch, which in turn has a very positive impact on rapid decomposition in household composts. We were also able to develop a more transparent biodegradable film by using the appropriate starch characteristic. The films can be used for tote bags or fruit and vegetable bags. We were also able to produce biologically degradable fibers that can potentially replace polypropylene fibers by suitably combining thermoplastic starches with polyesters in a melt spinning process.

Organic chemicals

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

The "ZeroCarb FP" project sponsored by the Federal Ministry of Education and Research (BMBF) made progress on using CO_2 from the ethanol fermentation process as an input material. A cultivation process for a microorganism that utilizes CO_2 to deliver intermediate chemical products was developed in the laboratory and a pilot plant is now being designed to prove the technical feasibility. The sustainable bio-based chemicals extracted in this manner are to be used as petrochemical product substitutes.

A consortium is analyzing implementation of a power to gas concept under the auspices of a BMBF project – also using 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.

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

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

BUSINESS REPORT

Overall summary of business development

A further price decline since the beginning of the 2018/19 sugar marketing year (1 October to 30 September) forced the sugar segment to contend with severe operating losses in fiscal 2019/20. Sugar prices in the EU and around the world started climbing again at the beginning of sugar marketing year 2019/20 as production lagged behind consumption. However, these higher prices will not fully impact results until the second half of fiscal 2020/21. The restructuring plan announced at the end of fiscal 2018/19, which called for reduced production capacities, was executed in fiscal 2019/20. The cost savings will mainly take effect in the second half of the current fiscal year 2020/21. Sugar production from the 2019 campaign was down again from the 4.7 million tonnes produced during the 2018 campaign. It came in at 4.5 million tonnes, driven by a 9.9 % reduced cultivation area and below average yields due to dry weather. This also weighed on the result development. We are still not satisfied with the sugar segment's results for the fiscal year just ended.

The special products segment was able to extend its successful growth overall and make a positive contribution to the consolidated group result. The BENEO, Freiberger, starch and PortionPack divisions reported satisfactory volume growth overall in their markets and justified their decisions to invest in capacity expansions.

The CropEnergies segment's growth last fiscal year was driven by increased demand for alternative low-CO_2 fuels and substantially higher ethanol prices. CropEnergies ethanol production was up 4 % to 1.00 (0.97) million m³ and the favorable market environment enabled the company to more than triple its operating result to € 104 million.

Despite higher volumes in the fruit preparations division, the fruit segment's performance was below expectations. Higher raw material prices for fruit juice concentrates driven by a below average apple harvest negatively impacted margins and volume.

Although the sugar segment's results development was unsatisfactory, cash flow of € 372 (377) million totaled 5.6 % of consolidated group revenues. Return on capital employed reached 1.8 (0.4) % as capital employed rose, driven by higher fixed asset values and inventories.

Overall economic situation and framework

Economic environment and currencies

World trade conflicts and geopolitical tensions put a considerable damper on the global economy in 2019. In particular, the imposition and threat of punitive US tariffs, fears of a hard Brexit and the economic slowdown in China generated uncertainty, restrained investment and thus weaker growth. According to the international monetary fund (IMF), world gross domestic product (GDP) growth sank to 3.3 (3.6) %. Meanwhile, the American economy posted relatively robust GDP growth of 2.3 (2.9) %. However, this was mainly due to domestic market tax cuts and subsidies. The world's second-largest economy, China, suffered from punitive tariffs imposed by the United States and a weaker domestic economy. Growth contracted to 6.1 (6.6) %.

Reduced world trade also had an impact on the EU. Export oriented countries like Germany and Italy reported weaker growth. Only France's and Spain's economies remained relatively stable. Gross domestic product growth in the euro zone slipped to 1.2 (1.9) %.

The German economy grew for the tenth year in a row in 2019, but gross domestic product growth of only 0.6 (1.5) % was the lowest since 2013. The export-oriented German industry in particular suffered from the sharp drop in demand for capital goods, which was reflected in a significant decline in industrial production and orders. Added to that were restructuring costs in the automotive industry and its subsuppliers. Growth drivers were private households. Thanks to a record employment rate, private consumers increased their spending by 1.3 (1.3) %, adjusted for inflation.

A partial agreement between the United States and China and the finalization of Brexit on 31 January 2020 resulted in signs of economic easing at the beginning of 2020. However, from February 2020 onwards, the global spread of the coronavirus developed into an increasing burden on the global economy.

Expansionary monetary policy continued in the euro zone. On 12 September 2019, the European Central Bank (ECB) cut the deposit rate ten basis points to −0.5 (−0.4) % and restarted its financial asset purchase program in the amount of € 20 billion per month. This caused the euro to weaken in the reporting period to 1.10 (1.14) USD/€ at the end of the fiscal year. Nevertheless, the USD/€ exchange rate was the least volatile it has been in the past five years.

The US Federal Reserve kicked off a round of interest rate cuts and lowered the prime rate in three steps from 2.25 to 1.5 to 1.75 %.

Energy and emissions trading

At the start of March 2019 the price of Brent crude was quoted at 65 US dollars per barrel. It closed at about 50 US dollars per barrel at the end of February 2020. In the interim, prices ranged between 50 US dollars per barrel at the end of February 2020 and 74 US dollars per barrel of Brent at the beginning of April 2019. The price volatility was driven by production swings, ongoing trade conflicts and weaker economic expectations. Recently the coronavirus pandemic also had an impact.

In emissions trading, the spot market price for EU allowances (EUA) was around € 22 at the beginning of the fiscal year. On 28 February 2019, the EUA spot market price was € 24. In the interim, prices ranged between € 21 in the second half of March 2019 and € 30 in the second half of July 2019. However, overall prices largely trended sideways at an average price of € 25.

Food policies

Since 2015, the World Health Organization (WHO) has recommended that consumption of added sugars such as sucrose and isoglucose be reduced to less than 10 percent of daily energy intake.

In 2016, the EU member states agreed on a target value of at least 10 % for the reduction of added sugar in foods. As a result of these target numbers, pressure on EU member states to enact legislation that will reduce the consumption of sugar is increasing. Over the past few years, EU countries have increased the burden on certain sugary beverages, either by boosting consumption taxes or applying special manufacturer levies. The number of countries across the globe introducing sugar taxes is also rising.

Additionally, a number of initiatives aimed at changing recipes for foods or to influence consumer demand through nutritional value identification systems such as Nutri Score.

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.

Group consolidated earnings

Business performance – Group

		2019/20	2018/19	+/– in %
Revenues	€ million	**6,671**	**6,754**	**–1.2**
EBITDA	€ million	478	353	35.3
Depreciation on fixed assets and intangible assets	€ million	–362	–326	10.9
Operating result	€ million	**116**	**27**	**> 100**
Result from restructuring / special items	€ million	–19	–810	–97.6
Result from companies consolidated at equity	€ million	–49	22	–
Result from operations	€ million	**48**	**–761**	**–**
EBITDA margin	%	7.2	5.2	
Operating margin	%	1.7	0.4	
Investments in fixed assets [1]	€ million	335	379	–11.5
Investments in financial assets / acquisitions	€ million	13	15	–17.6
Total investments	€ million	**348**	**394**	**–11.7**
Shares in companies consolidated at equity	€ million	313	390	–19.8
Capital employed	€ million	6,388	6,072	5.2
Return on capital employed	%	1.8	0.4	
Employees		**19,188**	**19,219**	**–0.2**

[1] Including intangible assets.

TABLE 019

Revenues, EBITDA and operating result

In fiscal 2019/20, the group's consolidated revenues declined to € 6,671 (6,754) million. While the sugar segment's revenues fell sharply, the fruit segment's held steady at last year's level and the special products and CropEnergies segments' rose.

Group EBITDA rose to € 478 (353) million. The higher depreciation of € 362 (326) million is mostly due to the first time application of IFRS 16 (leases) effective 1 March 2019.

The group's consolidated operating result jumped to € 116 (27) million. The sugar segment reported a loss similar to last year as expected, but posted considerably better results in the second half of the fiscal year than during the same period last year. While the fruit segment's operating result was sharply lower, the special products segment's was much higher. The CropEnergies segment more than tripled its operating result.

Capital employed and return on capital employed (ROCE)

Capital employed rose € 316 million to € 6,388 (6,072) million, mainly because of higher inventories and fixed assets. The significantly improved operating result of € 116 (27) million drove ROCE to 1.8 (0.4) %.

Income statement

€ million	2019/20	2018/19	+/− in %
Revenues	**6,671**	**6,754**	**−1.2**
Operating result	116	27	> 100
Result from restructuring/ special items	−19	−810	0.0
Result from companies consolidated at equity	−49	22	–
Result from operations	**48**	**−761**	**–**
Financial result	−39	−23	69.6
Earnings before income taxes	**9**	**−784**	**–**
Taxes on income	−64	−21	> 100
Net earnings	**−55**	**−805**	**−93.2**
of which attributable to Südzucker AG shareholders	−122	−844	−85.6
of which attributable to hybrid capital	13	13	−1.5
of which attributable to other non-controlling interests	54	26	> 100
Earnings per share (€)	**−0.60**	**−4.14**	**−85.5**

TABLE 020

Result from operations

The result from operations of € 48 (−761) million for fiscal 2019/20 comprises the operating result of € 116 (27) million, the result from restructuring and special items of € −19 (−810) million and the result from companies consolidated at equity of € −49 (22) million.

Result from restructuring and special items

The result from restructuring and special items of € −19 (−810) million resulted almost exclusively from the sugar segment. The expenses related mainly to a strike at the French factory in Cagny, which was affected by the restructuring. Additional charges arose from Südzucker's offer to return delivery rights for long transportation routes to farmers serving the Warburg and Brottewitz factories (shut down in 2019), closure of the sugar export office in Antwerpen, Belgium in November 2019 and the temporary shutdown of a factory in Moldova. These were partly offset by, among other things, proceeds from the sale of properties in Germany.

Result from companies consolidated at equity

The result from companies consolidated at equity in the sugar and special products segments totaled to € −49 (22) million.

Financial result

The financial result totaled to € −39 (−23) million and comprises a net interest result of € −28 (−22) million and a result from other financing activities of € −11 (−1) million.

Taxes on income

Earnings before taxes of € 9 (−784) million resulted in taxes on income of € −64 (−21) million. They relate to 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 € −55 (−805) million, € −122 (−844) million were allocated to Südzucker AG shareholders, € 13 (13) million each to hybrid bondholders and € 54 (26) 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 € −0.60 (−4.14). The calculation is based on the time-weighted average of 204.2 (204.2) million shares outstanding.

Group financial position

Cash flow statement

€ million	2019/20	2018/19	+/– in %
Cash flow	**372**	**377**	**–1.3**
Increase (–)/decrease (+) in working capital	**–217**	**–113**	**91.5**
Gains (–)/losses (+) from the disposal of non-current assets/securities	0	–2	–
Net cash flow from operating activities	**155**	**262**	**–40.8**
Total investments in fixed assets [1]	–335	–379	–11.5
Investments in financial assets/acquisitions	–13	–15	–17.6
Total investments	**–348**	**–394**	**–11.7**
Other cashflows from investing activities	72	–27	–
Cash flow from investing activities	**–276**	**–421**	**–34.4**
Repayment (–)/refund (+) of financial liabilities	272	52	> 100
Increases in stakes held in subsidiaries (–)	0	0	–100.0
Decrease in stakes held in subsidiaries/capital increase (+)/capital buyback (–)	0	3	–100.0
Dividends paid	–102	–161	–36.6
Cash flow from financing activities	**170**	**–106**	**–**
Other change in cash and cash equivalents	1	0	–
Decrease (–)/Increase (+) in cash and cash equivalents	**50**	**–265**	**–**
Cash and cash equivalents at the beginning of the period	148	413	–64.2
Cash and cash equivalents at the end of the period	**197**	**148**	**33.6**

[1] Including intangible assets.

TABLE 021

Cash flow

Cash flow came in at € 372 million versus € 377 million last year. The cash flow as a percentage of revenues remained unchanged at 5.6 (5.6) % despite a slight decline in revenues.

Working capital

The cash outflow from the increased working capital totaled € 217 (113) million and was attributable to a price-related higher inventory value in the sugar segment. The increase was partly offset by lower current accruals for trade payables.

Investments in fixed assets

Investments in fixed assets (including intangible assets) totaled € 335 (379) million. In the sugar segment, investments of € 103 (145) million were mainly allocated to replacement investments, primarily in the area of electrical installations and automation, the improvement of logistics and compliance with legal or regulatory requirements. The special products segment invested € 150 (165) million, most of related to new production capacities by the starch division and plant expansion and optimization by BENEO and Freiberger. The CropEnergies segment invested € 30 (13) million to replace production facilities, increase their capacity or improve their efficiency. In the fruit segment, investments of € 52 (56) 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 € 13 (15) million mainly related to the foundation of the 50 % joint venture Beta Pura GmbH, Vienna, Austria, the acquisition of a 3.5 % stake in DouxMatok Ltd, Petcha-Tikva, Israel, and the increase in the existing stake in the South African portion pack manufacturer Collaborative Packing Solutions [Pty] Ltd, Johannesburg, from 40 % to 75 %.

Last year, investments in financial assets mainly related to the acquisition of 100 % of Hungarian fruit juice concentrates producer Brix Trade Kft., Nagykálló, 49 % of Algerian fruit preparations producer SPA AGRANA Fruit Algeria (previously: Elafruits SPA), Akbou and 100 % of British portion pack maker CustomPack Ltd, Telford.

Profit distribution

Profit distributions throughout the group in the fiscal year just ended totaled € 102 (161) million and included € 41 (92) million paid out to Südzucker AG's shareholders and € 61 (69) million to other shareholders.

Development of net financial debt

The cash inflow from operating activities of € 154 (262) million includes cash flow of € 372 (377) million and a reduction in working capital with a cash outflow of € 217 (113) million. Total investment financing of € 348 (394) million and the profit distribution of € 102 (161) million and the recognition of lease liabilities of € 136 million in non-current and current financial liabilities as of 1 March 2019 due to the first-time application of IFRS 16 (Leases) resulted in an increase in net financial debt from € 1,129 million as of 28 February 2019, by € 441 million to € 1,570 million as of 29 February 2020.

Group assets

Balance sheet

€ million	29 February 2020	28 February 2019	+/– in %
Assets			
Intangible assets	1,001	1,001	0.0
Fixed assets	3,061	2,951	3.7
Remaining assets	442	519	–14.8
Non-current assets	**4,504**	**4,471**	**0.7**
Inventories	2,176	1,977	10.1
Trade receivables	978	973	0.6
Remaining assets	757	767	–1.3
Current assets	**3,911**	**3,717**	**5.2**
Total assets	**8,415**	**8,188**	**2.8**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	2,127	2,476	–14.1
Hybrid capital	654	654	0.0
Other non-controlling interests	892	888	0.3
Total equity	**3,673**	**4,018**	**–8.6**
Provisions for pensions and similar obligations	1,002	832	20.5
Financial liabilities	1,429	1,126	26.9
Remaining liabilities	411	440	–6.6
Non-current liabilities	**2,842**	**2,398**	**18.5**
Financial liabilities	625	501	24.7
Trade payables	818	786	4.0
Remaining liabilities	457	485	–5.8
Current liabilities	**1,900**	**1,772**	**7.3**
Total liabilities and equity	**8,415**	**8,188**	**2.8**
Net financial debt	1,570	1,129	39.0
Equity ratio in %	43.6	49.1	
Net financial debt as % of equity (gearing)	42.7	28.1	

TABLE 022

Non-current assets

Non-current assets rose € 33 million to € 4,504 (4,471) million. The carrying amount of fixed assets rose € 110 million to € 3,061 (2,951) million, driven by the capitalization of rights of use related to leases totaling € 132 million after applying IFRS 16 as of 1 March 2019, in addition to current investments. The € 77 million decline in other assets to € 442 (519) million was primarily due to a lower share of companies consolidated at equity resulting from the recognized prorated share of ED&F Man Holdings Ltd. losses.

Current assets

Current assets increased by € 194 million to € 3,911 (3,717) million. Inventories recorded an increase of € 199 million to € 2,176 (1,977) million as a result of a beet price-related rise in inventories in the sugar segment. Trade receivables of € 978 (973) million and other assets of € 757 (767) million, which consist primarily of securities and cash and cash equivalents, were at the previous year's level.

Shareholders' equity

Shareholders' equity fell to € 3,673 (4,018) million and the equity ratio to 44 (49) %. The decline of € 349 million in Südzucker AG shareholders' equity to € 2,127 (2,476) million was driven mainly by the prorated total result for the fiscal year and profit distributions. Other non-controlling interests remained at last year's level at € 892 (888) million.

Non-current liabilities

Long-term debt rose € 444 million to € 2,842 (2,398) million. Provisions for pensions and similar obligations increased by € 170 million to € 1,002 (832) million. This increase was driven by their revaluation at the applicable discount rate of 1.00 % as of 29 February 2020 following 1.95 % on 28 February 2019. Financial liabilities increased € 303 million to € 1,429 (1,126) million due to the recognition of leasing liabilities after the first-time application of IFRS 16, together with higher liabilities due to financial institutions. Other liabilities fell € 29 million to € 411 (440) million.

Current liabilities

Current liabilities rose € 128 million to € 1,900 (1,772) million. Current financial liabilities increased € 124 million to € 625 (501) million due to the recognition of leasing liabilities after the first-time application of IFRS 16, commercial papers required to finance the campaign and reduced liabilities toward financial institutions. The € 32 million increase in trade payables to € 818 (786) million was due among other things to the € 212 (196) million increase in liabilities toward beet farmers for higher final beet payments. Other debt, consisting of other provisions, taxes owed and other liabilities, was down € 28 million to € 457 (485) million.

Net financial debt

Net financial debt climbed € 441 million to € 1,570 (1,192) million as of 29 February 2020. The ratio of net financial debt to equity was 42.7 (28.1) %.

The group's long-term financing requirements as of 29 February 2020 were covered by € 795 (794) million in bonds, € 207 (7) million in promissory notes and € 330 (325) million in bank loans. The group's short term financing needs as of the balance sheet date were covered by bank loans of € 266 (236) million, bonds (including Commercial Paper) valued at € 330 (230) million and promissory notes totaling € 0 (35) million. As of the record date, Südzucker Group had access to adequate liquidity reserves of € 1.2 (1.3) billion, consisting of non-utilized syndicated credit lines and other bilateral bank credit lines. In addition, the company had cash and cash equivalents and securities totaling € 485 (499) million.

Value added, capital structure and dividend

Value added

		2019/20	2018/19	2017/18	2016/17	2015/16
Operating result	€ million	**116**	**27**	**445**	**426**	**241**
Capital employed	€ million	6,388	6,072	6,650	6,012	5,791
Return on capital employed (ROCE)	%	1.8	0.4	6.7	7.1	4.2

TABLE 023

Capital employed was reported at € 6,388 (6,072) million, € 316 million higher than last year, mainly due to higher inventories and the higher fixed assets. The operating result of € 116 (27) million drove return on capital employed (ROCE) from 0.4 to 1.8 % in fiscal 2019/20.

Capital structure

		2019/20	2018/19	2017/18	2016/17	2015/16
Debt factor						
Net financial debt	€ million	1,570	1,129	843	413	555
Cash flow	€ million	372	377	693	634	480
Net financial debt to cash flow ratio		4.2	3.0	1.2	0.7	1.2
Debt equity ratio						
Net financial debt	€ million	1,570	1,129	843	413	555
Shareholders' equity	€ million	3,673	4,018	5,024	4,888	4,473
Net financial debt as % of equity (gearing)	%	42.7	28.1	16.8	8.4	12.4
Equity ratio						
Shareholders' equity	€ million	3,673	4,018	5,024	4,888	4,473
Total assets	€ million	8,415	8,188	9,334	8,736	8,133
Equity ratio	%	43.6	49.1	53.8	56.0	55.0

TABLE 024

The debt ratio (ratio of net financial debt to cash flow) as of the balance sheet date was 4.2 (3.0). Net financial debt as of 29 February 2020 was 42.7 (28.1) % of shareholder's equity of € 3,673 (4,018) million. The equity ratio on the balance sheet date declined to 43.6 (49.1) % as total assets rose to € 8,416 (8,188) million.

The dividend policy continues to be based on continuity and the sustainable results development. Given the group's current results and liability situation, the executive board has decided to recommend a dividend of 0.20 (0.20) € per share for fiscal 2019/20.

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

Dividend

		2019/20	2018/19	2017/18	2016/17	2015/16
Operating result	€ million	116	27	445	426	241
Cash flow	€ million	372	377	693	634	480
Earnings per share	€	−0.60	−4.14	1.00	1.05	0.53
Dividend per share [1]	€	0.20	0.20	0.45	0.45	0.30
Payout ratio	%	–	–	45.0	42.9	56.6

[1] 2019/20: Proposal.

TABLE 025

Based on the 204.2 million shares in circulation, the total dividend distribution will be € 41 (41) million. The dividend recommendation is subject to approval by the supervisory board on 13 May 2020 and shareholders at the annual general meeting on 16 July 2020.

SUGAR SEGMENT

AT A GLANCE

PRODUCTION LOCATIONS:	23 Sugar factories[1], 2 refineries
RAW MATERIALS:	Sugar beets, cane raw sugar
PRODUCTS:	Sugar, sugar specialties, animal feed
MARKETS:	Europe and the world
CUSTOMERS:	Food industry, retailers, agriculture

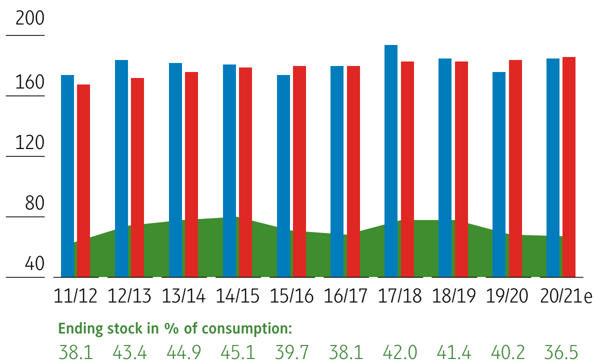
Markets

World sugar market

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

Global sugar balance

Million of tonnes raw value



Source: F. O. Licht, April 2020

DIAGRAM 009

Despite increased global sugar production of about 9 million tonnes, F.O. Licht expects marketing year 2020/21 to be another deficit year as world sugar consumption rises slightly. Inventories are expected to fall another 1.6 million tonnes, leading to another decline in the already low ratio of inventories to consumption.

Global market sugar prices

1 March 2017 to 31 March 2020,
London, nearest forward trading month

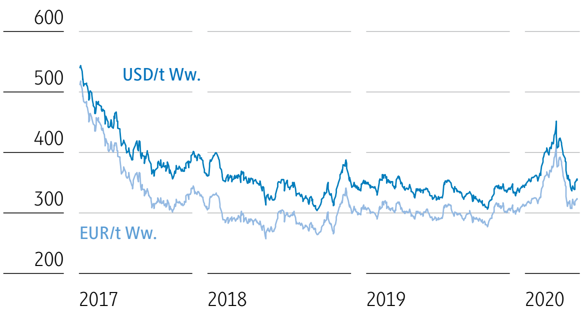


DIAGRAM 010

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

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

[1] Number of sugar factories 2020/21 campaign.

World sugar market – Top 5

Million of tonnes raw value	2016/17	2017/18	2018/19	2019/20	2020/21e
Top 5 producer					
Brazil	42.4	33.3	29.9	35.7	37.8
India	22.1	35.3	35.8	28.3	34.0
EU [1]	17.5	21.4	17.8	17.8	17.3
China	10.1	11.2	11.7	11.4	11.5
USA	8.1	8.4	8.2	7.3	8.0
Top 5 consumer					
India	26.7	27.6	28.3	28.0	28.5
EU [1]	18.5	19.0	18.4	18.2	16.4
China	16.7	16.2	16.3	16.1	16.2
Brazil	11.6	11.3	11.3	11.5	11.7
USA	11.2	11.1	11.1	11.1	11.1
Top 5 net exporters					
Brazil	29.6	23.2	18.5	23.1	26.4
India	−0.4	0.2	4.2	5.2	5.0
Thailand	7.1	9.7	10.1	9.0	4.6
Australia	3.8	3.5	3.4	3.4	3.5
Guatemala	2.0	1.8	1.9	2.3	2.1
Top 5 net importers [2]					
Indonesia	5.1	5.0	5.1	4.9	5.4
China	4.0	4.4	3.4	4.6	4.7
USA	2.8	2.9	2.7	3.6	3.1
Bangladesh	2.4	2.1	2.4	2.4	2.5
Algeria	1.5	1.7	1.8	1.9	2.0

Source: F. O. Licht, World sugar balance estimate, April 2020.
[1] EU figures include the United Kingdom until 2019/20.
[2] Sugar consumed in the country without refining for third countries.

TABLE 026

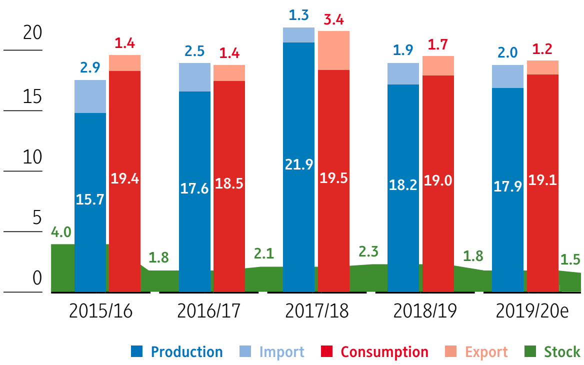
EU sugar market

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

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

EU sugar balance

Million of tonnes white sugar value



Source: EU-commission, AGRI C4, estimate of EU sugar balance sheet, December 2019.

DIAGRAM 011

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

Sugar markets

The sugar processing industry's three largest customer segments are the beverage, dairy and baked goods sectors. They represent about 55 % of total sugar processing industry demand in Western Europe, and as much as 65 % in Eastern Europe. Almost all producers are striving to reduce sugar use. This is particularly evident in the saturated markets of Western Europe, where sugar use between 2015 and 2018 alone was down 3.5 % [1]. The soft drinks market decline of 14.5 % was particularly sharp. It is our view that the processing industry's tendency to reduce the percentage of sugar used will continue. Between 2016 and 2019, overall retail sugar volumes fell 2.8 % annually in Germany, 3.4 % in Poland, 3.8 % in France and 3.5 % in Belgium [2]. In addition to reduced sugar consumption, the sugar market is experiencing predatory competition due to low world market prices brought on by the elimination of key EU sugar market regulations.

[1] Euromonitor International, Sugar Consumption Europe 2019.
[2] Nielsen, Nitro 2016–2019.

Byproduct markets

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

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

Legal and political environment

Word market / WTO

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

Free trade agreements

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

On 28 June 2019 the MERCOSUR nations[1] and the EU Commission reached an agreement in principle on a new free trade deal. Under the terms of this agreement in principle, the EU will reduce import duties on over half of the existing CXL import quota – 180,000 tonnes – from 98 €/t to zero. The EU Commission has also granted Paraguay a new import quota of 10,000 tonnes of organic sugar per annum. The agreement still has to be ratified by the European Parliament and the member states. Whether they will do so is currently doubtful, especially given the current controversial discussions within the EU.

[1] Argentina, Brazil, Paraguay and Uruguay.

EU sugar market international competitive position

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

Continued coupled direct payments in the European domestic sugar market

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

EU agricultural policy reform

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

Statutory restrictions and bans affecting plant protection in the EU

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

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

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

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

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

Brexit

We are now in a transition phase until 31 December 2020 following the exit of the United Kingdom (UK) from the EU on 31 January 2020, during which time a new free trade agreement with the EU is to be negotiated. Existing trade rules will be in effect until that time. The UK has in the past been an important buyer of sugar, importing between 300,000 and 400,000 tonnes of sugar annually from continental Europe. It is unclear whether a free trade agreement will be finalized by the end of December 2020. Although an extension of the transition phase is possible, it is already contested today. If a free trade agreement cannot be reached by the end of the transition phase, we assume it will become harder for European white sugar producers to access the British market.

Business performance

Business performance – Sugar segment

		2019/20	2018/19	+/– in %
Revenues	€ million	**2,258**	**2,588**	**–12.8**
EBITDA	€ million	–75	–102	–25.8
Depreciation on fixed assets and intangible assets	€ million	–161	–137	16.6
Operating result	€ million	**–236**	**–239**	**–1.3**
Result from restructuring/special items	€ million	–17	–769	–97.7
Result from companies consolidated at equity	€ million	–66	5	–
Result from operations	€ million	**–319**	**–1,003**	**–68.2**
EBITDA margin	%	–3.3	–3.9	
Operating margin	%	–10.4	–9.2	
Investments in fixed assets [1]	€ million	103	145	–28.2
Investments in financial assets/acquisitions	€ million	10	2	> 100
Total investments	€ million	**113**	**147**	**–22.2**
Shares in companies consolidated at equity	€ million	252	326	–22.7
Capital employed	€ million	2,815	2,653	6.1
Return on capital employed	%	–8.4	–9.0	
Employees		**6,597**	**6,950**	**–5.1**

[1] Including intangible assets.

TABLE 027

Revenues and operating result

The sugar segment's revenues fell 13 % to € 2,258 (2,588) million in fiscal 2019/20. The lower revenues were driven by a significantly lower sales volume due to the below average harvests in 2018 and 2019, which were caused by dry weather.

The sugar segment's operating loss of € −236 (−239) million was according to forecast and about the same as the year prior. The main causes were an EU sugar market price level not covering costs, and a significantly lower sales volume, especially exports. Prices declined even further in the second half of fiscal 2018/19, but started to recover in October 2019, although production costs were also higher. Most of the savings resulting from the restructuring will not have an impact until the second half of fiscal 2020/21. In the first half of the fiscal year 2019/20, the operating result decline was mitigated thanks to inventory write-downs to the expected low net sales revenues, so that losses from the previous year's production had already been partially included in the 2018/19 year-end closing. There was significantly less need to write down inventories in the 2019/20 annual financial statements due to the increase in sales revenues since October 2019. Overall, the sugar segment's operating result was substantially higher in the second half of the fiscal year than during the same period a year earlier.

Result of restructuring and special items

The result of restructuring and special items of € −17 (−769) million related mainly to charges from special beet transport costs due to a strike at the Cagny factory in France, which was affected by the restructuring. Additional charges arose from Südzucker's offer to return delivery rights for long transportation routes to farmers serving the Warburg and Brottewitz factories. Both factories were closed after the 2019 campaign. Charges also arose from the closure of the sugar export office in Antwerp, Belgium in November 2019, which was done as part of the strategy to focus the sugar business on the European market. The closure affected about ten employees. Other expenses arose from the temporary shutdown of a factory in Moldova. These expenses were partly offset by, among other things, proceeds from the sale of properties in Germany.

Last year the result from restructuring and special items related mainly to the revaluation of the sugar CGU's goodwill. It also included write-downs of the related fixed assets, and expenses for social plans for staff reductions required to adjust the capacity of the average annual overall production volume by about 700,000 tonnes.

Result from companies consolidated at equity

The sugar segment's result for companies consolidated at equity was € −66 (5) million and relates mainly to ED&F Man Holdings Limited, London, Great Britain, of which Südzucker AG owns about 35 %. It reflects especially the continuing difficult sugar market environment. Aside from the only moderate result contribution from the business operations, sizeable non-cash expenses from the strategic realignment of ED&F Man Group weighed on the overall result. The strategic realignment calls for the sale of various industrial interests not related to the actual trading business, which to date negatively impacted the group result. An example is the sugar mills of the Mexican Azucar Grupo Saenz joint venture. The majority of the measures are to be implemented over the course of calendar 2020.

Capital employed and return on capital employed

Capital employed rose € 162 million to € 2,815 (2,653) million. The increase was mainly driven by higher inventories. ROCE was negative at −8.4 (−9.4) % in fiscal 2019/20 due to the operating result of € −236 (−239) million.

Investments in fixed assets

The sugar segment's investments were cut back to € 103 (145) million. Replacement investments included, for example, a bridge needed to warehouse beets at the Offstein factory. Process control system upgrades and electrical room modifications continued at the plants in Belgium, Germany, France and Poland. Investments to improve logistics and infrastructure included preliminary work for a new bagging system for polyurethane bags in Offenau, new loading systems for overseas containers in Zeitz and und Ochsenfurt, Zeil, plus another syrup storage tank at the French site in Roye. Environmental protection investments included wastewater treatment plants in Plattling, Strzelin and Świdnica and emission reduction systems for the boiler house in Plattling. Some investments were also required to fulfill legal or governing authority requirements, and preparations were made to produce organic sugar at the Rain factory.

Investments in financial assets

Investments in financial assets of € 10 (2) million were in part for the founding of a 50 % joint venture, Beta Pura GmbH, Vienna, Austria, which is held by AGRANA Zucker GmbH, Vienna, Austria and American beet sugar producer The Amalgamated Sugar Company, Boise, Idaho. The joint venture is currently building the world's third production plant for crystalline betaine at the site in Tulln, Austria. A 3.5 % stake was also acquired in DouxMatok Ltd., Petcha-Tikva, Israel. The startup is developing a new technology for optimized taste and aroma experiences.

Raw materials and production

Cultivation area

The total beet cultivation area at Südzucker Group was down about 9.9 % in 2019 from the year prior to 391,000 (434,000) ha. This was mainly due to the difficult market situation, a plant closure already implemented in Poland and announced plant closures in France and Germany.

Planting and beet development

The main seeding began in mid-March 2019, on average about two weeks earlier than last year. Seeding conditions were good to excellent and the work was completed quickly thanks to mostly dry weather. However, cooler nighttime temperatures and dry soil conditions led to rather slow beet emergence and slow plant growth until the beginning of May. Subsequent beet development was good to excellent. Rainfall during this period was adequate and temperatures milder than last year. From mid-June to the end of September, the weather throughout the entire region served by Südzucker Group was warmer than average and again unusually dry, especially in France, where the beets suffered through several days of heat with highs of over 40° C. Infrequent regional showers and varying soil characteristics led to disparate and regionally widely differing beet crops.

Yields

Growth conditions during the summer were reflected in corresponding yields, which varied considerably from region to region. A below average beet yield of 72.6 (67.6) t/ha in combination with a slightly below average sugar content of 17.2 (18.2) % led to an average theoretical sugar yield of 12.5 (12.3) t/ha for Südzucker Group overall.

2019 campaign

The reduced land area combined with below-average beet yields resulted in a lower total beet volume of 28.4 (29.3) million tonnes. At the beginning of the campaign, clearing was not possible at all locations due to the drought, but later, after widespread rainfall at the end of September/beginning of October, clearing had to be interrupted in many places resulting in a shortage of stocks. Despite the challenges, it was possible to ensure the supply of beet to the factories. Further rainfall throughout the campaign increased beet yields while sugar content fell.

Almost all factories started the campaign between mid-September and early October 2019. In Cagny, France, sugar production was stopped on 3 November 2019 after several strikes by the workforce; beet from the Cagny cultivation region was taken to the nearby Etrépagny and Roye factories. Campaign duration at the various factories ranged between 23 days at Falesti in Moldova and 152 days at Etrépagny in France. The average campaign duration for all factories was 114 (115) days.

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

Cultivation and production

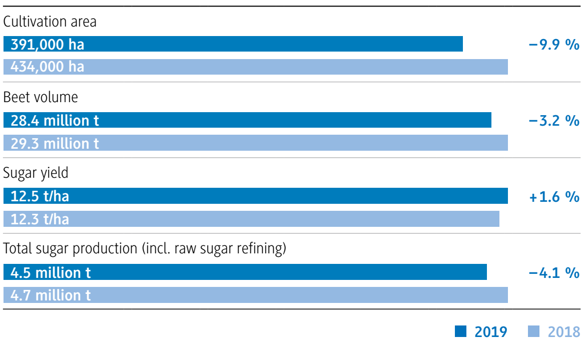


DIAGRAM 012

Sugar production by region

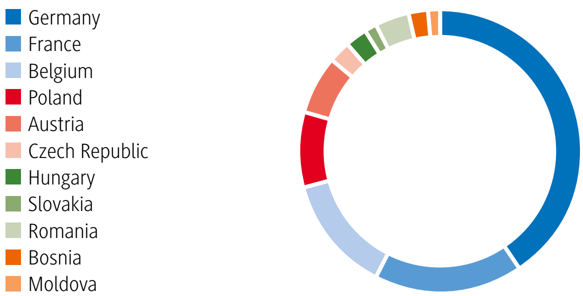


DIAGRAM 013

The organic beet cultivation area in Germany increased sharply, because in addition to the Warburg factory, the Rain am Lech factory also processed organic beet for the first time. Organic sugar volumes produced from these beets was correspondingly higher at the Warburg, Rain and Hrušovany, Czech Republic factories.

Sugar and byproduct production

Total sugar production in the group decreased to 4.5 (4.7) million tonnes, of which 4.3 (4.6) million tonnes was sugar produced from beets and 0.2 (0.1) million tonnes sugar refined from cane raw sugar. Consequently, at 1.3 (1.5) million tonnes, the volume of sugary byproducts was also lower.

Volume

Sugar

The consolidated sugar volume produced by the group in fiscal 2019/20 came in at about 4.8 (5.6) million tonnes, thus about 13 % lower than last year.

The EU companies had to contend with a sales volume reduction of about 15 % to 4.5 (5.3) million tonnes.

Of the total, 7.6 % was within the EU, where volume slid from 4.5 to 4.2 million tonnes. In the first seven months of fiscal 2018/19, volume was still being driven by the previous year's record harvest, but the weaker harvests in 2018/19 and 2019/20 led to declining sugar production and subsequently lower sales. More distant deficit regions with high logistics costs were affected more than home markets.

The reduced availability had a much greater impact on exports from the EU to third countries than it did within the EU. Volume fell 58 % year-over-year to 0.3 (0.7) million tonnes. A large percentage of deliveries went to Israel, where we have a market presence with our own distribution company.

In contrast, the companies located in the Republic of Moldova and the Western Balkans boosted volumes to about 336,100 (302,200) tonnes for the 2019/20 fiscal year overall.

Animal feed and molasses

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

Thanks to a broader product portfolio combined with a slightly lower sales volume, we were able to raise the price of molasses pulp pellets being sold to the mixed feed industry and retail trade. The segment again sold a significantly higher volume of organic pellets than the year prior. Here too it successfully launched new product varieties – pelleted and enriched with molasses. The sugar segment also registered with Naturland, the German association for organic agriculture.

Prices for 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 the attractiveness of beet molasses used in mixed feed due to high cane molasses prices. Prices realized for a slightly higher organic molasses volume were excellent.

New markets were found for molasses pulp pellets. These included Morocco and Japan, and most recently product was shipped to Saudi Arabia. After extensive auditing, pellet exports from Germany to China have been permitted since the fall of 2019.

Environment

Energy and emissions

High-efficiency cogeneration (CHP) plants cover the energy requirements of the Südzucker Group sugar factories. A mix of predominantly fossil fuels is used, with natural gas making up more than half of this in recent years.

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

The biogas generated in the anaerobic wastewater treatment plants is used as fuel in the sugar factories. In addition, Südzucker operates biogas plants at the sugar factories in Strzelin, Poland, Kaposvár, Hungary and Drochia, Moldova, which generate renewable energy for the sugar factories from biomass – primarily fresh beet pellet silage – and feed it into the public grid.

Specific energy use per tonne of product remained the same as last year. During the reporting period, we shut down the sugar plant at the Strzyzów site, where hard coal had been used as a fuel. The sugar factories in Brottewitz, Eppeville and Warburg, which also used coal, were closed after the 2019 campaign. This will lead to lower greenhouse gas emissions.

We want to further increase the share of renewable energy by using green electricity and gas or adding biomass to the energy mix to the extent that these are locally available and make sense economically.

Water withdrawal and water discharge

Water withdrawal at the factories is based on local water availability and is designed for the most efficient use of water as a valuable resource. The majority of withdrawn water (approximately 60 %) is used for continuous cooling systems, i. e. the water is only used to cool processes and then fed directly back to the receiving waters.

Beets for processing consist of about three-quarters of water. This water is used both to wash the sugar beets and to extract sugar from the pellets. This water is used as process water in sugar production and is reused multiple times in the cycle. The water from sugar beets is used as a raw material and covers more than 95 % of the consumption of fresh water required and provides approximately 80 % of the water actually supplied to the factories (excluding continuous cooling systems). Südzucker Group has aerobic and anaerobic wastewater treatment plants at numerous production locations. The natural gas from purification plants resulting in the latter case is used for energy.

Water withdrawal and water discharge per tonne of product did not change significantly compared to previous years, volumes remained at a consistently low level.

Water withdrawal / water discharge in the sugar segment

m^3 per tonne product	2015/16	2016/17	2017/18	2018/19	2019/20
Water withdrawal	1.7	1.8	1.8	1.8	2.0
Water discharge	1.8	2.0	2.0	1.9	1.9

TABLE 028

Utilization of raw materials

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

Soil adhesion

Reducing soil adhesion during the harvest and truck loading has a positive impact on both the volume transported and the time and money spent on beet preparation and wastewater treatment. This is why beets are typically pre-cleaned at the edges of fields. The share of pre-cleaned beets at the edge of the field was again increased to 93,3 %. Weather conditions have a major impact on how much soil still clings to the beets after cleaning. During the 2019 campaign, soil adhesion increased due to weather conditions to 6.4 (4.5) percent. After sedimentation in soil holding ponds, the soil washed off at the factory is returned to the fields as high-grade soil to maintain soil fertility. The soil that is washed off is drained and generally returned to the field because beet soil is high-grade topsoil. This recycling ensures lasting soil fertility.

Energy consumption in the sugar segment

Gigajoules per tonne of product

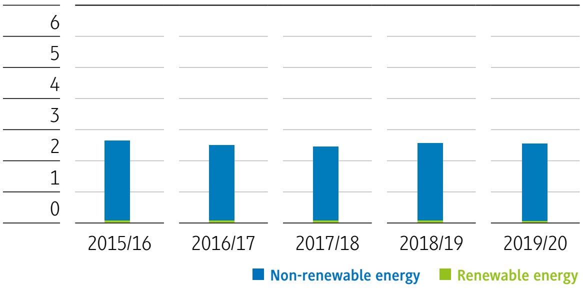


DIAGRAM 014

Emissions from direct and indirect energy consumption in the sugar segment

Tonnes of CO_2 equivalent per tonne of product

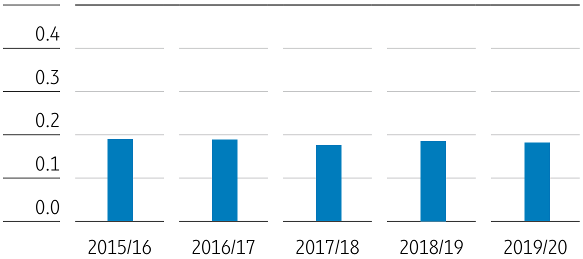


DIAGRAM 015

Waste

Waste types and quantities in the sugar segment

Thousand of tonnes	2015/16	2016/17	2017/18	2018/19	2019/20
Recycling	271.2	153.5	192.3	204.8	188.5
Landfill	68.6	49.4	47.5	37.6	33.8
Composting	14.3	8.6	11.1	20.7	10.9
Incineration	9.7	1.8	3.0	2.8	3.4
Other	12.2	16.4	22.0	6.8	5.7
thereof dangerous waste [1]	*1.1*	*0.5*	*1.2*	*1.0*	*1.0*
Total	**376.0**	**229.7**	**275.9**	**272.7**	**242.3**

[1] Mainly used lubricants from production.

TABLE 029

Our integrated production concepts process the high-value input products we buy almost entirely. Accordingly, the volume of waste produced is very low compared to the total volume of raw material processed. Most of any residual waste is recycled. Lower total waste volume is primarily due to an adjustment in the definition of waste in the AGRANA sugar division, where small beet parts that are sold or given away free of charge and thus continue to be used were previously declared as waste.

SPECIAL PRODUCTS SEGMENT

Markets

Target markets

The special products segment's target markets have grown steadily in the past few years. Last fiscal year was no exception, with development positive overall.

Rising demand for functional dietary fibers, carbohydrates and rice starch for both food and animal feed has continued unabated in recent years in the key target markets of Europe, North America and Asia. The steady strong consumer interest in food with reduced sugar, salt and fat, as well as high-fiber, vegetarian and vegan products with the highest possible concentration of natural ingredients, has also had a positive impact.

Frozen pizza volume and revenues were also up in the major European markets Germany and Great Britain. While consumers in Germany were increasingly seeking brand-name products, in Great Britain private label brands were the key driver, with double digit growth rates. Both volume and revenues were also up in 2019 in the United States.

The restructuring of the EU sugar market has not spared liquid starch sweeteners. In addition, significant volume pressure in the isoglucose category, primarily from central and eastern Europe, has impacted the market. But native and modified starches growth continued in the paper and cardboard industry. The previously tight supply situation has eased. Demand in the food sector remained largely stable. Demand for protein-rich byproducts also continued to grow, but prices fell because of expanded capacities and anticipated future supply growth. There were no significant changes in the animal feed proteins sector. Please refer to the CropEnergies segment report for details about developments in the international ethanol markets and the associated political conditions for ethanol.

European target markets for portion packs continued to be under pressure due to the ever-increasing trend toward avoiding plastic waste and reducing sugar consumption.

Raw material markets

The special products segment processes various agricultural raw materials. European harvests recovered slightly in 2019 after being impacted by dry and hot weather conditions in 2018. Both potato and wheat volumes were higher in the EU. As a result, prices dropped considerably after rising sharply last year, especially for wheat. The CropEnergies segment report discusses in detail developments in the international grain markets.

The chicory cultivation area was adjusted to meet renewed higher demand. An organic variety was added. Inulin quality met expectations in the key procurement markets.

The price of cheese stabilized at the higher levels reached last year, but the price of pork especially – and subsequently ham and salami – rose sharply. The higher prices were triggered by increased exports to China due to the impact of African swine fever. Chicken and beef prices were also affected.

DIVISION	BENEO	Freiberger	Starch	PortionPack Europe
TARGET MARKETS	Worldwide	Europe, USA	Central and Eastern Europe (mainly Austria and Germany), USA, UAE	Primarily Europe
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)

Business performance

Revenues and operating result

Steady volume growth drove the special products segment's revenues to € 2,409 (2,294) million. Starch and starch saccharification product volumes in particular were higher.

Operating result performance was also very satisfactory, rising sharply to € 190 (156) million. Higher volumes and sales revenues, especially from ethanol, were the main contributors. The increases were enough to more than offset higher raw material prices.

Result of restructuring and special items

The € 0 (−51) million in result of restructuring and special items in the previous year related to the impairment of the carrying value of the starch producing fixed assets at the Zeitz site.

Result from companies consolidated at equity

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

Business performance – Special products segment

		2019/20	2018/19	+/− in %
Revenues	€ million	**2,409**	**2,294**	**5.0**
EBITDA	€ million	306	268	14.4
Depreciation on fixed assets and intangible assets	€ million	−116	−112	4.0
Operating result	€ million	**190**	**156**	**21.8**
Result from restructuring / special items	€ million	0	−51	–
Result from companies consolidated at equity	€ million	17	17	−0.6
Result from operations	€ million	**207**	**122**	**69.2**
EBITDA margin	%	12.7	11.7	
Operating margin	%	7.9	6.8	
Investments in fixed assets [1]	€ million	150	165	−9.1
Investments in financial assets / acquisitions	€ million	2	7	−74.0
Total investments	€ million	**152**	**172**	**−12.0**
Shares in companies consolidated at equity	€ million	58	62	−5.0
Capital employed	€ million	2,267	2,133	6.3
Return on capital employed	%	8.4	7.3	
Employees		**6,017**	**6,033**	**−0.3**

[1] Including intangible assets.

TABLE 030

Capital employed and return on capital employed (ROCE)

Capital employed increased to € 2,267 (2,133) million, mainly due to higher inventories and investments and a concurrent decline in trade payables. With an operating result of € 190 (156) million, ROCE was slightly higher at 8.4 (7.3) %.

Investments in fixed assets

The special products segment's investments of € 150 (165) million in the BENEO division were again for capacity expansions and preparations at all sites. For example, crystallization capacity was expanded at the Offstein factory in Germany and preparations made to expand the warehouse. Work has begun on a third wet starch line for rice proteins in Wijgmaal, Belgium.

The Freiberger Division's focus is on constructing an automated high bay freezer warehouse in Muggensturm, Germany. The division also has various automation projects in progress, primarily at its Richelieu sites in the United States.

The starch division expanded the capacity of its starch factory in Pischelsdorf, Austria. Following the commissioning of the expansion in September 2019, optimization work is underway. In addition, the wet derivatives and special corn processing areas are being expanded in Aschach, Austria.

Investments in financial assets

Investments in financial assets totaling € 2 (7) million were to increase the existing stake in South African portion pack manufacturer Collaborative Packing Solutions [Pty] Ltd, Johannesburg from 40 % to 75 %. The investment went ahead after the South African antitrust authority granted approval in November 2019. The joint venture was recognized as an at equity company until now and will be fully consolidated as of 1 December 2019. Last year, PortionPack Europe bought 100 % of British portion pack maker CustomPack Ltd, Telford, Great Britain.

Production

The BENEO division has five production sites located in Belgium, Germany, Italy and Chile, where it produces a broad spectrum of high-quality functional ingredients for food and animal feed that feature health and food technology benefits. We convert natural raw materials such as chicory root, beet sugar and rice into Palatinose™, inulin, oligofructose and rice starch. The ongoing market and volume growth led the division to expand production capacity in fiscal 2019/20. It also launched and executed projects to adapt the product portfolio to meet market requirements.

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. We also make high-quality snacks and baguettes, as well as dressings and sauces. Here too we are further expanding our capacities; for example, by adding another wood burning pizza line that was started up in spring 2019 in Great Britain. Other additions such as a pizza shell line at the Chicago site and a high bay storage warehouse in southern Germany are planned for the coming fiscal year.

Starch and starch saccharification product manufactoring was also again higher than the year prior. The increase was especially due to expanded production capacity with corresponding increased raw material processing at the Pischelsdorf factory. Raw material processing and production volumes in Zeitz and Gmünd were also higher, while the volume of corn processed was about the same as last year. The starches, sweeteners, ethanol and byproducts produced from diverse raw materials are used in various technical applications, as well as food and animal feed.

In addition to six European production sites, we now have a factory in South Africa following the acquisition of a majority stake in South Africa's Collaborative Packing Solutions (Pty) Ltd. in November 2019. 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 all of our sites.

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

Volume

The promising volume growth of functional ingredients for food and animal feed continued in fiscal 2019/20. Growth drivers were the versatile dietary fibers inulin and oligofructose made from chicory root. Demand is continually increasing due in part to their scientifically proven positive nutritional and physiological benefits, as well as their sugar and fat reduction properties. The American market continued to exhibit the fastest growth.

Volume growth of our refrigerated and frozen products in Europe varied widely. Frozen pizza volume in the core markets Germany and France declined while in the United Kingdom they were up. The trend in Eastern Europe was also very positive. Volumes of dressings and sauces were slightly lower in the United States, while frozen product volumes were also up here.

Starch volumes increased as expected both in the paper and cardboard sector and the food industry starch products segment. Despite unrelenting strong competitive pressure in the starch-based sweeteners sector, here too higher volumes were achieved for select product groups. However, the infant milk formula product segment failed to meet high expectations. The higher volumes for animal feed produced in-house were driven among other things by the startup of the new wheat starch plant at the Pischelsdorf site and the new straight feedstuff ActiGrano® made there.

The 100 % acquisition of the American distribution company Marroquin Organic International Inc. based in Santa Cruz (California) will expand our starch sales and marketing activities. Marroquin Organic International has many years of experience in distributing organic and non-GMO food ingredients.

Despite a continued fiercely contested portion pack market environment, we were able to significantly boost volumes, not least because of the first time full-year consolidation of Custom Pack Ltd. and the acquisition of a majority stake in the South African company Collaborative Packing Solutions (Pty) Ltd.

Environment

Energy consumption and emissions

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

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

DIVISION	BENEO	Freiberger	Starch	PortionPack Europe
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™ Oligofructose	Alberto, Italissimo	ActiProt, BioAgnasol, AGENABEE, Südzucker-Starch	Hellma, Van Oordt
SALES LOCATIONS	9 (Europe, Asia, USA)	10 (Europe, USA)	7 (Europe)	10 (Europe, South Africa)

Energy consumption in the special products segment

Gigajoules per tonne of product

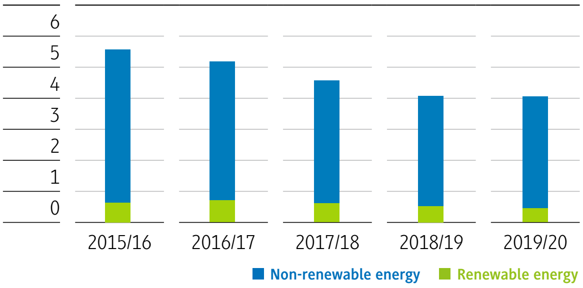


DIAGRAM 016

At the Pemuco production site in Chile, we have been operating a biomass boiler since 2015 which mainly generates steam and electricity primarily from waste from forestry and wood processing. We plan to invest extensively in projects to improve energy efficiency in the current 2020/21 fiscal year.

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

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

Tonnes of CO_2 equivalent per tonne of product

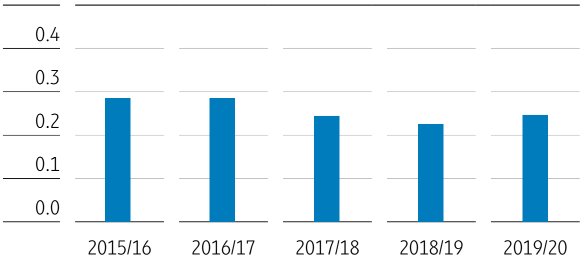


DIAGRAM 017

Water withdrawal and water discharge

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

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

Water withdrawal / water discharge in the special products segment

m³ per tonne product	2015/16	2016/17	2017/18	2018/19	2019/20
Water withdrawal	4.2	4.2	3.9	4.0	3.8
Water discharge	4.1	4.3	3.6	3.1	3.0

TABLE 031

Water withdrawal and discharge slightly decreased in the year under review.

Raw material use

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

Soil

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

Waste

Waste types and quantities in the special products segment

Thousand of tonnes	2015/16	2016/17	2017/18	2018/19	2019/20
Recycling	5.6	8.0	18.2	8.0	9.7
Landfill	7.2	5.1	4.0	8.2	4.6
Composting	32.6	40.0	52.7	58.2	60.5
Incineration	12.0	16.5	18.7	20.3	25.3
Other	4.0	3.4	5.1	9.1	3.6
thereof dangerous waste[1]	*0.3*	*0.2*	*0.1*	*0.2*	*0.1*
Total	**61.4**	**73.0**	**98.8**	**103.8**	**103.7**

[1] Mainly used lubricants from production.

TABLE 032

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

CROPENERGIES SEGMENT[1]

AT A GLANCE

LOCATIONS:	4 production locations in 4 countries, 1 branch sales office in Chile
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 and South America
CUSTOMERS:	Oil companies and traders, food and animal feed producers, beverage and cosmetics producers, pharmaceutical companies

Markets

Ethanol market

Global ethanol production rose slightly to about 128 (127) million m³ in 2019. At about 85 %, the fuel sector continued to account for the bulk of production. The remaining 15 % is used as rectified spirit in beverages, cosmetics, pharmaceutical and industrial applications. The overall production increase is driven by greater fuel ethanol production. The 109 (108) million m³ produced represent roughly 7 % by volume of global gasoline consumption. The fuel sector is again expected to grow slightly in 2020, at about 1 %.

However, in the EU – without United Kingdom –, 2019 ethanol production was at 7.0 (6.9) million m³ above the previous year. At the same time, ethanol consumption rose to 7.3 (7.0) million m³, which caused imports to climb to 0.4 (0.2) million m³. At 5.0 (4.7) million m³, fuel-grade ethanol consumption also exceeded production, which came in at 4.8 (4.8) million m³. This was driven by rising demand for gasoline types with a higher percentage of sustainable fuel components. In France, E10's market share at year-end was about 50 %, while E85 volume soared 84 % to 335,000 m³ in 2019. E10 continues to spread in Europe. It was introduced in the Netherlands on 1 October 2019 and on 1 January 2020 in Denmark, Hungary and Slovakia. The blend ratios for alternative low-CO_2 fuels have been raised in many countries, so fuel-grade ethanol consumption is expected to continue to grow in 2020 to 5.9 (5.6) million m³.

EU Ethanol volume balance[1]

million m³	2017	2018	2019	2020e
Opening balance	**0.9**	**0.9**	**1.0**	**1.0**
Production	6.6	6.9	7.0	7.7
thereof fuel ethanol	4.6	4.8	4.8	5.3
Import	0.4	0.5	1.2	1.0
Consumption	−6.7	−7.0	−7.3	−8.5
thereof fuel ethanol	−4.6	−4.7	−5.0	−5.9
Export	−0.3	−0.4	−0.8	−0.2
Closing balance	**0.9**	**1.0**	**1.0**	**1.0**

Source: F. O. Licht. Data estimated of EU biothanol volume balance, April 2020.
[1] All figures exclude the United Kingdom.

TABLE 033

As demand increased, European ethanol prices went from around 555 €/m³ at the beginning of March 2019 to 640 €/m³ at the end of February 2020. For the first time since 2012, spot prices even sporadically topped the 700 €/m³ mark again.

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 2019/20 global soybean harvest will come in at 341 (362) million tonnes, lower than last year's record harvest. In the United States especially, the cultivation area was much smaller due to weather conditions. With consumption rising to 358 (352) million tonnes, inventories are projected to drop to 38 (55) million tonnes. Although soybean prices continued to decline in the first quarter of 2019/20, falling below 8 USD/ bushel[2] for the first time since December 2008, they began to recover starting in mid-May 2019 as supply tightened. At the end of the fiscal year, soybeans were trading at about 9 USD/ bushel. After an already weak EU rapeseed harvest the previous year, a new record low of only 17 (20) million tonnes was recorded in marketing year 2019/20. And yet, driven among other things by low soya prices, rapeseed meal prices initially continued to decline, reaching a low of 175 €/t. in September 2019. They also began to rise again for the remainder of the fiscal year due to the weaker harvests and were quoted at 225 €/t at the end of February 2020.

[1] Further details can be found in CropEnergies AG's current 2019/20 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 2,175 (2,139) million tonnes in grain marketing year 2019/20 (1 July to 30 June). With grain consumption at 2,192 (2,163) million tonnes, inventories are expected to retreat to 608 (625) million tonnes, which is still a considerable reserve. Grain production and consumption are expected to rise further to 2,223 and 2,226 million tonnes respectively in grain marketing year 2020/21. Accordingly, global grain inventories should fall to 605 million tonnes.

According to the EU Commission, a significantly higher grain volume than last year of about 320 (290) million tonnes is to be harvested in the EU and the UK in 2019/20. However, consumption is expected to rise only slightly to 290 (288) million tonnes, of which over 60 % continues to be used as cattle feed. In contrast, only the starch component of about 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, and especially reduce soya imports.

Thanks to abundant supplies, the benchmark future for milling wheat on the Euronext in Paris dropped sharply from about 190 €/t at the beginning of March, and at times was even trading below the 160 €/t mark. Rainy weather in parts of France and Great Britain made wheat planting difficult. That together with high export demand drove prices up sharply again starting in mid-September 2019. At the end of February 2020 they closed again at around 195 €/t.

The IGC expects grain production for grain marketing year 2020/21 to be slightly lower than last year due to delayed seeding. The wheat harvest in particular is expected to be smaller.

Legal and political environment

MERCOSUR agreement

The agreement in principle between the MERCOSUR nations and the EU Commission dated 28 June 2019 includes preferential imports of about 820,000 m^3 of ethanol, of which about 570,000 m^3 may be imported duty-free for use in chemical industry applications. The remaining volume of about 250,000 m^3 is to be eligible for importation to the EU for other applications, such as fuel-grade ethanol, at a discount of two-thirds on the current import tariff. Ratification of the agreement is questionable at the present time, especially given the countless incidents of slash and burn farming in the Amazon region and controversial discussions in the EU.

European climate protection policy

The EU has set a goal of reducing greenhouse gas (GHG) emissions from 1990 levels by at least 40 % by 2030. To achieve this, companies falling under the EU wide emission trading system (EU-ETS) are to reduce their emissions from 2005 levels by 43 % by 2030. The GHG reduction target for non-EU-ETS business sectors is 30 %. This non-ETS category includes buildings, agriculture, waste industry and smaller industrial plants, and especially the transportation sector.

The non-ETS category was then broken down into national reduction targets within the EU. For example, the so-called burden sharing regulation stipulates that in Germany, the non-ETS sector must cut GHG emissions by 38 % by 2030. This requires effective emissions limiting measures at the national level. In Germany, the Federal Climate Protection Act, which came into force in December 2019, established legally binding climate protection targets and defined annual emissions limits for individual business sectors for the first time. Emissions in the German transportation sector are to be gradually reduced from 150 million tonnes of $CO_{2eq.}$ in 2020 to 95 million tonnes of $CO_{2eq.}$ in 2030.

Renewable Energy Directive

In order to achieve the climate protection targets, energy consumption is to be reduced and renewable energy sources are to increasingly replace fossil fuels. The EU's renewable energy directive thus calls for the share of renewable energy to rise to at least 32.5 % after 2020. An increase to 14 % by 2030 is specified for the transportation sector. The contribution from renewable fuels from agricultural 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. The directive is to be enacted in national law by no later than mid-2021 and should result in rising ethanol demand throughout the EU. If properly implemented in national law, sustainably produced renewable fuels will be able to continue to contribute to climate protection on Europe's roads.

Business performance

Revenues and operating result
The CropEnergies segment was able to boost revenues substantially in fiscal 2019/20, to € 819 (693) million, driven mainly by higher ethanol sales revenues, which reached the highest level of the fiscal year in the final quarter of 2019/20. Expanded production and sales volumes further boosted the higher revenues.

Despite higher net raw material costs, the operating result of € 104 (33) million was more than triple last year's number. The increase was driven especially by sharply higher ethanol sales revenues.

Result of restructuring and special items
The result of restructuring and special items of € 0 (10) million in the previous year is attributable to the reversal of an accrual created in 2016/17 in regard to spirits tax risks in Germany in connection with ethanol sales after successfully concluded court cases.

Capital employed and return on capital employed (ROCE)
Capital employed was slightly down from last year at € 450 (456) million. With the operating result more than tripled to € 104 (33) million, ROCE rose to 23.1 (7.2) %.

Investments
Investments in fixed assets (replacements and capacity expansions) more than doubled at € 30 (13) million. An important project in Wanze, Belgium was increasing the milling capability; as a result, total production capacity was also up. Present plans call for 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 investment focus in Zeitz was on expansion of milling and production capacities for high-protein animal feed. Investments were also made in the Zeitz infrastructure to ensure easy receiving of operating supplies. Investments at the En-sus plant in Wilton, UK were to improve process stability and the logistics infrastructure. Spending at the Ryssen factory in Loon-Plage, France went toward improving plant uptime.

Business performance – CropEnergies segment

		2019/20	2018/19	+/– in %
Revenues	€ million	**819**	**693**	**18.2**
EBITDA	€ million	146	72	> 100
Depreciation on fixed assets and intangible assets	€ million	–42	–39	7.4
Operating result	€ million	**104**	**33**	**> 100**
Result from restructuring / special items	€ million	0	10	–
Result from companies consolidated at equity	€ million	0	0	0.0
Result from operations	€ million	**104**	**43**	**> 100**
EBITDA margin	%	17.8	10.4	
Operating margin	%	12.7	4.7	
Investments in fixed assets [1]	€ million	30	13	> 100
Investments in financial assets / acquisitions	€ million	0	0	–
Total investments	€ million	**30**	**13**	**> 100**
Shares in companies consolidated at equity	€ million	2	2	9.5
Capital employed	€ million	450	456	–1.4
Return on capital employed	%	23.1	7.2	
Employees		**450**	**433**	**3.9**

[1] Including intangible assets.

TABLE 034

Raw materials and production

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

Ethanol production in fiscal 2019/20 came in at 1.00 (0.97) million m³, higher than a year earlier. Plant loading over the course of the year was geared toward market conditions and regular plant maintenance. The increased ethanol production led to the higher dried food and animal feed manufacturing of 0.58 (0.57) million tonnes.

The higher production level is primarily due to continuous operation of the plant in Wilton. Production volumes in Zeitz and Wanze on the other hand were slightly lower than last year due to ongoing investment and/or maintenance activities.

Rectified spirits production capacity loading at the Zeitz and Loon-Plage factories was also maximized according to market conditions. Fuel grade ethanol production in Loon-Plage was expanded in line with the robust growth of the French fuel-grade ethanol market.

Environment

All CropEnergies ethanol plants are certified to be sustainable and comply with at least one of the EU Commission's recognized certification systems. Annual audits are conducted. The certifications ensure that the fuel-grade ethanol fulfills the sustainability criteria of the Renewable Energy Directive. This includes, for example, greenhouse gas emissions savings of at least 50 % compared to fossil fuels. This legal requirement is clearly exceeded with an average of 70 %.

Energy consumption and emissions

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

The share of renewable fuels used is 27 %. In Wanze, a biomass generating station produces most of the thermal and electric process energy required using chaff from the grain delivered to the plant. In Zeitz, the biomethane produced in the wastewater plant is converted to electrical and thermal energy in a cogeneration power station to reduce demand for fossil fuels.

In addition to the process control and the technologies applied, the specific energy consumption depends, among other things, on the type and quality of the raw materials used. The CO_2 emissions volume is a function of both total energy demand and the plants' fuel and energy mix.

Energy consumption in the CropEnergies segment

Gigajoules per tonne of product

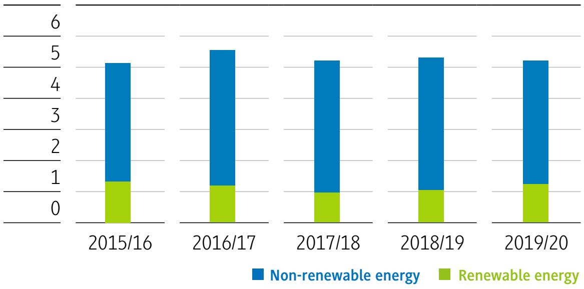


DIAGRAM 018

Emissions from direct and indirect energy consumption in the CropEnergies segment

Tonnes of CO_2 equivalent per tonne of product

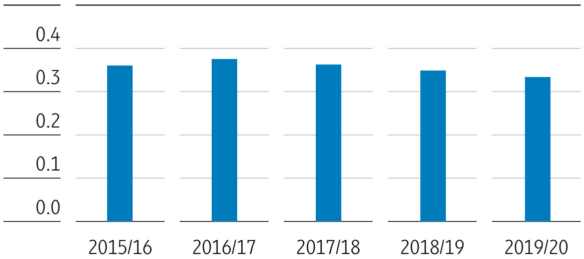


DIAGRAM 019

Water withdrawal and water discharge

Production plants stand out because they reduce strongly the amount of fresh water required by drawing the necessary volume from a circuit and reusing it for multiple tasks. Wastewater treatment plants ensure environmentally sound wastewater treatment. The cleaned water is routed to neighboring streams.

Water withdrawal / water discharge in the CropEnergies segment

m³ per tonne product	2015/16	2016/17	2017/18	2018/19	2019/20
Water withdrawal	4.0	3.1	2.8	3.3	3.5
Water discharge	2.6	3.1	2.5	2.7	2.9

TABLE 035

Raw material use

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

Waste

Most of the waste is recycled, composted or used as a source of energy. Less than 0.1 % of the waste is hazardous waste.

Waste types and quantities in the CropEnergies segment

Thousand of tonnes	2015/16	2016/17	2017/18	2018/19	2019/20
Recycling	67.4	68.8	73.8	76.0	65.7
Landfill	9.2	7.8	8.7	6.7	7.3
Composting	1.0	1.5	1.6	3.9	0.8
Incineration	0.4	0.4	2.1	1.7	2.1
Other	1.0	0.5	0.7	0.5	0.5
thereof dangerous waste [1]	*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
Total	**79.0**	**79.0**	**86.9**	**88.7**	**76.4**

[1] Mainly used lubricants from production.

TABLE 036

FRUIT SEGMENT[1]

Markets

Target markets

The main consumer trends impacting the growth of fruit preparations markets (dairy products, ice cream, baked goods and food services) continue to be naturalness, sustainability, health, enjoyment and convenience. Demand for new unexpected tastes and textures drives product innovations. Trends toward sustainability and health are increasingly evident in the marketplace with the introduction of plant-based products used as an alternative to milk-based products.

The main market for the fruit preparations division – spoonable fruit yogurt – has grown globally only slightly year-over-year in 2019, whereas our largest markets, Western Europe and North America, were declining. Furthermore, growth in regions such as South America, the Middle East, Europe and North America has been impaired by economic and political developments.

In 2019, ice cream sector growth was moderate, even strong in some regions.

The market for milk substitutes in the yogurt and ice cream sector is still a niche market overall, but appears to be expanding rapidly. Growth is much stronger than for classic milk products, especially in Western Europe and North America. Fruit preparations are processed the same way as in dairy products in a subsegment of this market.

In the fruit juice concentrates business, there continues to be a trend toward lower fruit juice content in beverages, as well as directly pressed 100 % juices. As a result, the demand for beverage bases with reduced fruit juice content is rising.

Our core fruit juice concentrates market is the EU. Other important markets are North America, Russia, the Middle East and the Far East. The apple juice concentrate produced at the Chinese factory is mainly sold in Japan, the United States, Russia and Australia, but also in Europe.

Raw material markets

Overall, average raw material prices for fruit and fruit preparations ingredients were slightly higher than last year. Strawberries and peaches in particular were more expensive. The average price for strawberries was moderately to significantly higher than last season, driven by higher market prices in Moroccan and Egyptian cultivation areas and a below-average harvest in Mexico and Poland due to weather conditions. The main procurement markets for peaches were the southern European cultivation areas in Greece and Spain, followed by China. European harvests were average, with prices slightly higher than last year.

Available apple volumes for fruit juice concentrates from the main European cultivating countries were significantly lower than last year, while prices were significantly higher than a year earlier. In contrast, China's apple harvest was significantly bigger than the previous year's. Overall, the concentrate production berry processing season was marked by limited availability of primary fruits. Prices were higher year over year.

DIVISION	Fruit preparations	Fruit juice concentrates
LOCATIONS	27 production locations in 20 countries for fruit preparations	15 factories in 7 countries for producing apples and berry juice concentrates
RAW MATERIALS	Main raw material for fruit preparations: strawberries	Raw materials for fruit juice concentrates: 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 AG's current 2019/20 annual report.

Business performance

Revenues and operating result

The fruit segment's revenues were about the same as last year at € 1,185 (1,179) million. Significantly lower average prices throughout the year in almost all product categories led to significantly lower revenues for fruit juice concentrates. However, the decline was offset by higher volumes and sales revenues for fruit preparations.

Still, the operating result was down sharply to € 58 (77) million. The deterioration in the fruit juice concentrates division is due mostly to sales revenue driven lower margins, while in the fruit preparations division, revenue increases were not enough to offset higher costs.

Capital employed and return on capital employed (ROCE)

With capital employed increasing to € 855 (830) million and a declining operating result of € 58 (77) million, ROCE dropped to 6.8 (9.3) %.

Investments in fixed assets

The fruit segment invested € 52 (56) million. In addition to replacements and maintenance, the fruit preparations division invested in capacity expansions, among others the installation of another production line at the Serpuchov / Russia and Central Mangrove, Australia factories. The Chocosplit system in Gleisdorf, Austria, was started up at the end of the fiscal year. The fruit juice concentrates division's focus was on replacements and production optimization, such as installation of a vapor compressor at the Bialobrzegi site in Poland, which will save energy and expand the location's capacity.

Business performance – Fruit segment

		2019/20	2018/19	+/– in %
Revenues	€ million	**1,185**	**1,179**	**0.5**
EBITDA	€ million	101	115	–12.1
Depreciation on fixed assets and intangible assets	€ million	–43	–38	14.3
Operating result	€ million	**58**	**77**	**–25.0**
Result from restructuring / special items	€ million	–2	0	–
Result from companies consolidated at equity	€ million	0	0	–
Result from operations	€ million	**56**	**77**	**–27.7**
EBITDA margin	%	8.5	9.8	
Operating margin	%	4.9	6.6	
Investments in fixed assets [1]	€ million	52	56	–7.7
Investments in financial assets / acquisitions	€ million	1	6	–91.4
Total investments	€ million	**53**	**62**	**–15.5**
Shares in companies consolidated at equity	€ million	0	0	–
Capital employed	€ million	855	830	3.0
Return on capital employed	%	6.8	9.3	
Employees		**6,124**	**5,803**	**5.5**

[1] Including intangible assets.

TABLE 037

Raw materials and production

About 398,000 (375,000) tonnes of raw materials were purchased and processed in fiscal 2019/20. The main fruit for fruit preparations was strawberries as in previous years. About 71,000 tonnes were processed, followed by about 21,000 tonnes of peaches and 12,000 tonnes of blueberries. For fruit juice concentrates, last year the supply of apples in Europe's main processing regions was sharply lower than a year earlier, while China reported a record harvest. Production volumes reflected the two different scenarios.

The new factory in Changzhou near Shanghai in China, which took only one year to build, began producing fruit preparations in March 2019. The sale of the factory in Fiji was successfully completed at the end of June 2019.

Volume

The fruit preparations division was able to boost its overall volume. Sales volumes in the non-yogurt product categories were higher than last year, especially for food services and baked goods. These areas and the ice cream and milk alternatives categories are to be further prioritized. Volumes in the dairy products sector remain stable.

The fruit juice concentrates division's volume was moderately higher overall. Many fruit juice concentrates customers had excess supplies due to the excellent 2018 harvests; as a result, sales volumes to these customers were often lower than the year prior. Shipments from the Chinese factory were rather moderate in January and February 2020, initially due to the Chinese New Year and subsequently because of supply bottlenecks in connection with the spread of the coronavirus in China.

Berry juice concentrates for the 2019 campaign were fully contracted. The market launch of an organic range in this area was successfully implemented.

The volume development in the specialties and Added Value sector remained at the prior year's level.

Environment

Energy consumption and emissions

Fruit preparations and fruit juice concentrates divisions' energy requirements at their production sites around the world are covered by natural gas. A few sites also produce their own biogas. The production sites also purchase electricity from external sources. The volume of CO_2 emitted is essentially a function of total energy demand. The fruit segment's specific emissions from direct and indirect energy consumption per tonne of product were slightly lower than last year. The reasons are the switch from coal to gas as the energy source at the fruit juice concentrate site in China and the newly introduced use of electricity from renewable sources at the Kröllendorf site.

Energy consumption in the fruit segment

Gigajoules per tonne of product t

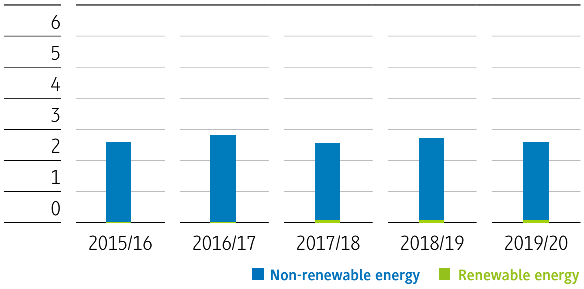


DIAGRAM 020

Emissions from direct and indirect energy consumption in the fruit segment

Tonnes of CO_2 equivalent per tonne of product

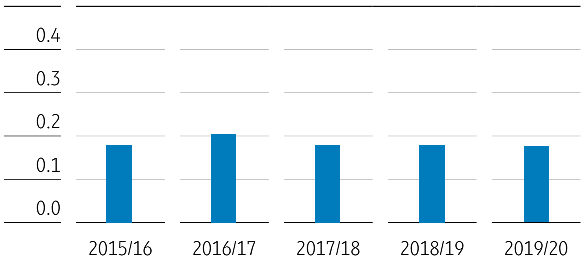


DIAGRAM 021

Water withdrawal and water discharge

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

Most of the fruit segment's production sites have aerobic and anaerobic waste treatment plants. The remaing sites revert to municipal plants to treat wastewater. The fruit segment's specific water consumption and wastewater discharge increased compared to the prior year, in part due to new collection procedures. In the fruit segment, a risk analysis of water use and discharge was carried out with the help of the WWF Water Risk Filter and the Aqueduct Water Risk Atlas, and a water management program was launched for all fruit preparation sites to set water consumption targets at each site.

Water withdrawal / water discharge in the fruit segment

m³ per tonne product	2015/16	2016/17	2017/18	2018/19	2019/20
Water withdrawal	4.3	4.3	4.4	4.2	4.7
Water discharge	4.0	4.1	4.0	4.1	4.7

TABLE 038

Raw materials use

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

Waste

Waste types and quantities in the fruit segment

Thousand of tonnes	2015/16	2016/17	2017/18	2018/19	2019/20
Recycling	31.8	11.2	12.2	13.5	12.4
Landfill	9.7	11.0	15.5	16.2	7.4
Composting	4.1	0.0	2.8	5.6	3.4
Incineration	0.4	0.9	0.9	1.0	1.7
Other	0.0	0.0	0.7	0.4	0.3
thereof dangerous waste[1]	*0.0*	*0.0*	*0.2*	*0.3*	*0.3*
Total	**46.0**	**23.0**	**31.9**	**36.7**	**25.1**

[1] Mainly used lubricants from production.

TABLE 039

The majority of the fruit segment's accumulated volume of waste consists of packaging and production scrap and is properly disposed of or reused and / or recycled. The total waste volume has decreased significantly compared to the previous year. While the completion of a construction project at the Hungarian site eliminated a non-recurring effect from the previous year, organic waste previously deposited at the fruit preparations site in Mexico is now being sold or disposed of free of charge for reuse.

ACTUAL AND FORECAST BUSINESS PERFORMANCE

		Outlook 2019/20[1]	Actual 2019/20	Actual 2018/19
Group				
Revenues	€ billion	6.7 to 7.0	6.7	6.8
Operating result	€ million	Range between 0 and 100	116	27
Return on capital employed	%	Up to 1,5	1.8	0.4
Sugar segment				
Revenues	€ million	Moderately lower	2,258	2,588
Operating result	€ million	Operating loss ranging between – 200 and – 300	– 236	– 239
Special products segment				
Revenues	€ million	Slightly higher	2,409	2,294
Operating result	€ million	Drive up moderately	190	156
CropEnergies segment				
Revenues	€ million	720 to 820	819	693
Operating result	€ million	20 to 70	104	33
Fruit segment				
Revenues	€ million	Rise moderately	1,185	1,179
Operating result	€ million	Rise significantly	58	77

[1] Published on the press and analysts' conference (consolidated management report 2018/19) on 16 May 2019.

TABLE 040

The above table shows actual business performance in 2019/20, juxtaposed with the guidance for 2018/20 contained in the 2018/19 financial statements.

Initial forecast for fiscal 2019/20, dated 27 March 2019

In an ad-hoc announcement dated 27 March 2019 Südzucker released its initial estimate for fiscal 2019/20. With the proviso that the forecast was subject to significant uncertainty given the very volatile sugar and ethanol market situation, Südzucker projected consolidated group revenues of € 6.7 to 7.0 billion and a consolidated group operating result of € 0 to 100 million for fiscal 2019/20. The sugar segment was expected to post an operating loss of € – 200 to – 300 million, while the forecast for the CropEnergies segment was an operating result ranging between € 20 and 70 million. Both the special products and fruit segment were expected to report a higher operating result.

Press and analysts' conference on 16 May 2019

The 2018/19 annual report was released at the Press and analysts' conference on 16 May 2019 and the initial forecast for fiscal 2019/20 was confirmed.

Q1 2019/20 quarterly statement published 11 July 2019

In the first quarterly statement for fiscal 2019/20 published on 11 July 2019, the forecast for the CropEnergies segment revenue range was raised to € 740 to 820 million and the operating result range forecast increased to € 30 to 70 million. The forecast for the group and the other segments were confirmed.

Half-year 2019/20 financial report published 10 October 2019

In its report for the first half of fiscal 2019/20 dated 10 October 2019, Südzucker confirmed the full-year forecast for the group. The forecast for the CropEnergies segment revenue range was revised to € 740 to 780 million and the operating result adjusted to € 50 to 75 million. At the same time, the revenue forecast for the fruit segment was reduced to the previous year's level and the operating result projection lowered significantly. The adjustment was driven by expectations of stagnating fruit preparation volumes and low fruit juice concentrates capacity utilization due to a shortage of apples.

OUTLOOK

Ad-hoc announcement dated 25 October 2019
In an ad-hoc announcement published 25 October 2019, Südzucker revised its operating result forecast upward as a result of continuing positive signals from the ethanol market. The group consolidated result range was boosted to € 50 to 130 million. The sugar segment operating loss range was reduced to € −200 to −260 million and the CropEnergies segment's operating result range was increased to € 70 to 90 million.

Ad-hoc announcement dated 18 December 2019
In an ad-hoc announcement dated 18 December 2019, the range for the projected consolidated group operating result was firmed up to € 70 to 130 million. The special products segment's operating result was now expected to rise significantly because production and sales volumes had exceeded expectations and high ethanol revenues had remained steady. The CropEnergies segment's operating result forecast was firmed up at about € 100 million.

Q3 2019/20 quarterly statement published 14 January 2020
Because of declining volumes and reduced harvest expectations, the sugar segment revenue forecast was adjusted downward significantly. But the special products segment's operating result was now expected to rise moderately because production and sales volumes had exceeded expectations and high ethanol revenues had remained steady. The CropEnergies segment's revenues forecast was firmed up at about € 810 million.

Economic environment

In its winter report dated 20 January 2020, before the extent of the Corona pandemic became clear, the International Monetary Fund (IMF) forecast a slight increase in global economic growth for 2020 to 3.3 (2.9) %.

In the IMF's spring report of 14 April 2020, the economic forecast for the world economy in 2020 was lowered significantly from +3.3 to –3.0 % in the wake of the rapidly spreading pandemic. For China, which has become increasingly important to global supply chains and raw materials markets, the IMF forecasts an economic slump with growth of only 1.2 (6.1) %. For the United States, the world's largest economy, the forecast predicts a severe recession with a drop in GDP of 5.9 %, versus 2.3 % growth last year.

In its winter report dated 13 February 2020, prior to the start of the pandemic, the EU Commission was still forecasting stable growth of 1.2 (1.2) % for the euro zone. The IMF's spring report now calls for a severe recession of −7.5 (1.2) %.

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 per tonne and remained at this low level until the end of 2019. 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.

In sugar marketing years 2018/19 and 2019/20, the EU sugar market became a net import market due to weak harvests caused by drought, which led to a steady price recovery in the EU. Cultivation areas are expected to shrink in 2020, leading to a continuing stable market environment, so that together with the world market price recovery, a further increase in EU prices was to be expected.

Since February 2020, the anticipated economic downturn caused by the Corona pandemic has triggered a collapse in crude oil prices and the currencies of emerging countries like Brazil. Both factors have exerted enormous temporary pressure on the world price of sugar, causing it to drop to almost 300 €/t within just a few weeks, despite continuing excellent fundamentals. What impact a continuation of this situation will have on the price level in the EU starting in the new 2020/21 sugar marketing year cannot yet be forecast.

Climate protection efforts in Europe have improved the framework for using ethanol in the EU. Targets for reducing greenhouse gas emissions to 2030 were raised significantly and the European Green Deal targets go even further. This drove further EU member states to introduce E10 in 2019 or 2020. As a result, fuel-grade ethanol demand for 2020 was expected to be 6 % higher than in 2019. The price of European ethanol plummeted very quickly from an average of over 600 €/m³ last year to temporarily below 400 €/m³, an unprecedented level. This was caused by the collapse of crude oil prices, which was driven by the expected economic weakness caused by the Corona crisis, and the significant slump in demand for fuels as a result of Europe-wide restrictions on mobility. The high demand for disinfectants has resulted in new sales opportunities since the end of March.

The International Grain Council (IGC) is expecting world grain production (excluding rice) to rise to 2,175 million tonnes in 2019/20. Global inventories are expected to decline to 608 (625) million tonnes due to somewhat higher consumption. In the interim however, grain prices were sharply lower, driven especially by an excellent wheat harvest. Grain prices are expected to remain stable due to the excellent supply situation overall and a positive outlook for the 2020/21 harvest. According to the IGC's March forecast, the 2020/21 grain harvest is expected to rise to 2,223 million tonnes.

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

Business outlook

The following forecast is conditional upon the unforeseeable economic and financial impact, as well as duration, of the temporary exceptional situation caused by the Corona pandemic at the time of preparing this report in April 2020. Because of the rapidly changing situation, assumptions regarding the further development of the pandemic and any associated economic and financial effects would have been largely speculative. We have therefore not made any such assumptions in the forecast.

Group

We are expecting consolidated group revenues of € 6.9 to 7.2 (previous year: 6.7) billion in fiscal 2020/21. We expect the sugar segment's revenues to rise sharply. We expect the CropEnergies segment's revenues to decline significantly (previous year: € 819 million). We are expecting the special products segment's revenues to rise slightly, the fruit segment's to rise moderately.

We expect a consolidated group operating result ranging between € 300 and 400 (previous year: 116) million. We estimate that the sugar segment's operating result will range between € –40 and +60 million. We expect the special products segment's operating result to come in at the same strong level at last year (previous year: € 190 million). We expect the fruit segment's operating result to improve moderately. CropEnergies' operating result is expected to drop sharply (previous year: € 104 million).

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: 1.8 %).

Sugar segment

A world market deficit is expected for the current 2019/20 sugar marketing year, which will reduce inventories. In Europe, shrinking cultivation areas mean that the EU will remain a net importer in sugar marketing year 2020/21, which means the market environment will be stable. These basic assumptions continue to apply even considering the described potential impact of the Corona pandemic. Nevertheless, crude oil market distortions and emerging nation currency weaknesses, such as Brazil's, have caused world market sugar prices to drop sharply in recent weeks. To what extent these factors will also affect the European price level depends on the duration and extent of these market distortions.

With volumes declining further due to the poor harvest in 2019 and factory closures after the 2019 campaign, we expect revenues to be significantly higher (previous year € 2.3 billion) driven by higher sales revenues.

We expect the sugar segment's result to range between € −40 and +60 million (previous year: € −236 million). However, we continue to expect losses for the first half year, as higher prices since October 2019 will be offset among other things by higher raw material costs. Given a stable market environment, we expect rising sales revenues in October 2020, as well as material cost savings from the restructuring plan, which will then yield positive operating results despite further rising raw material costs.

If and how the impact of the Corona pandemic will impact our expectations for the 2020/21 sugar marketing year cannot be foreseen at this juncture.

Special products segment

We expect the special products segment's production and sales volumes to rise further. We therefore expect slightly higher revenues (previous year: € 2.4 billion). Due to some decline in sales revenues and higher costs due to capacity expansions, we are forecasting an operating result the same as last year (previous year: € 190 million).

The pandemic situation can have a positive impact (e.g., for the Freiberger and BENEO divisions), but also negative (e.g., for the PortionPack Europe and starch divisions). The actual order of magnitude is currently not foreseeable.

CropEnergies

CropEnergies' fiscal 2020/21 business situation will again largely depend on price developments in the European ethanol markets. Despite the fundamentally positive market situation, which was driven by the climate debate, revenues (previous year: € 819 million) and operating results (previous year: € 104 million) are expected to drop sharply in comparison to the past record year.

Of course the Europe-wide restricted mobility imposed since March 2020 to flatten the Corona pandemic curve has temporarily caused ethanol prices to drop sharply, which will significantly burden the development, especially in the first quarter of 2020/21. The impact on the entire value chain will only be predictable during the further course of the fiscal year. The extent to which increased use of ethanol as a basis for disinfectants will at least partially offset volume declines in the climate-friendly fuels sector will play a role. The forecast will be concretised in accordance with the further course of the pandemic.

Fruit segment

We expect the fruit segment's revenues (previous year: € 1.2 billion) and operating result (previous year: € 58 million) to rise moderately in fiscal 2020/21. We expect revenue growth for the fruit preparations division, which will be achieved through loading the established capacities and advancing with diversifying the non-dairy business. Results are forecast to be higher, driven by higher margins as well as lower cost increases than in 2019/20. The fruit juice concentrates division's revenues are expected to rise sharply in the new fiscal year while results are expected to be lower.

The fruit segment's global production plants make it especially difficult to forecast the impact of the Corona pandemic.

Sustainability outlook 2020/21

Measures to improve energy efficiency and reduce greenhouse gas emissions are a key component of the continuous production process improvement at Südzucker. Implementing such programs has produced significant efficiency improvements and savings in the past. These are to be continued in future and be linked to the formulation of energy efficiency targets that take into account the Paris Climate Change Convention and the United Nations Climate Convention. In fiscal 2020/21, Südzucker will formulate a strategy that aims to achieve climate neutrality by 2050.

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 and/or positively influence implementation of strategic goals and operational plans. Südzucker Group uses an integrated system for the early identification and monitoring of group-specific risks. The guiding principle for successfully managing risk is to balance opportunities and risks. The company's risk culture is characterized by risk-aware conduct, clear responsibilities, independent risk controlling and internal audits. Insofar as it is possible and economically practical, insurable risks are covered by a group-wide insurance policy.

Purpose of risk management

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

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

Risk management system

The executive board is responsible for the group-wide risk management system, particularly for the early detection and mitigation of existential and strategic risks. The risk management committee 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

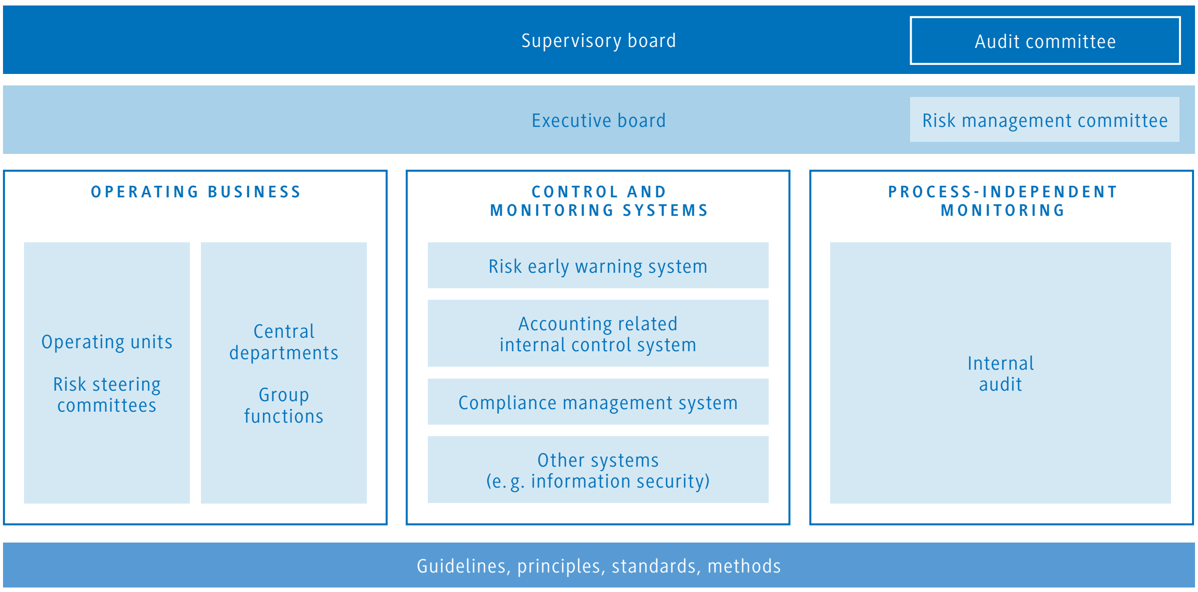


DIAGRAM 022

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

All relevant operating entities and group functions submit regular reports and documentation on operative, financial and strategic risks to the risk management and risk committees, and in ac-cordance 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 strategic development of the individual 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, 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 outbreak of coronavirus in China and the steady propagation globally of COVID-19 have led to massive interventions in public life - particularly in Europe - with a significant impact on economies and societies. Südzucker Group’s risk situation has significantly increased as a result. The financial ramifications and the duration of the exceptional situation are unforeseeable at present.

The price trends for the input agricultural raw materials and the sugar, ethanol and starch products made from them have a significant influence on the future development of the Südzucker Group. Key factors that drive these changes, such as the ongoing coronavirus crises, government agricultural programs and policies, global inventories, weather and harvest conditions, climate policy for CO_2 reduction and blending targets for renewable raw materials, and the demand for and supply of competing raw materials and substitutes, can only be affected by the company to a limited extent in the short term. Reduction measures in major EU consuming countries are important for the demand for sugar.

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

Competition in the European Union’s sugar production sector is high. Necessary capacity adjustments in non-competitive EU countries are being hindered by national subsidies for the cultivation of sugar beets. The BENEO, Freiberger and Starch divisions and the fruit segment contribute significantly to stabilizing Südzucker Group's risk and opportunity profile. The focus of climate policy on renewable energies has increased the long-term opportunities for additional market growth in the CropEnergies segment.

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

Summary of short-term opportunities and risks

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

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

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

TABLE 041

The price volatility of raw materials, risks associated with fluctuating product prices, risks arising from production and investments and fluctuations in pension provisions as a result of changes in the market interest level are currently the most significant risks. The potential financial impact of the other risks outlined in this report is comparably minor.

Corona virus crisis

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

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

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

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

Political measures such as border closures and reduced availability of transportation means will negatively impact raw material and production logistics supply chains. Together with other effects of the epidemic, this can disrupt production processes and even necessitate factory closures.

Initially, sugar production will be less affected since the campaign and processing of raw materials for the current sugar marketing year are largely completed and this year's processing will not start until September.

The drastic decline in raw material prices caused by the crisis has exerted direct pressure on the price of ethanol and the world market price of sugar. How long this situation will last

Opportunity and risk factors

	Importance in 2020/21	
	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	○●●	●○○
Product prices	●●●	●●●
Information technology	○●●	●○○
Acquisitions / Restructuring	○○●	●○○
Legal	○●●	●○○
Fraud and corruption risks	○●●	○○○
Finances		
Exchange rate fluctuations	○●●	●●○
Other financial opportunities and risks	●●●	●●●

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and to what extent it will impact the EU sugar market cannot be foreseen at this point in time.

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

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

Environment and sector

Market and competition

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

Changes in legal and political conditions

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

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

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

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

Company-specific opportunities and risks

Raw materials

In fiscal 2019/20, Südzucker Group processed 35 (36) million tonnes of agricultural raw materials grown on more than 1,000,000 hectares of land. In addition to 28 (29) million tonnes of sugar beets, the crops comprise corn, wheat, barley, rice, triticale, chicory, potatoes and fruits.

As a processor of these raw materials, Südzucker is exposed - in spite of broad diversification of the cultivation regions- to procurement risks. These relate mainly to above-normal fluctuations of harvest yields, due primarily to extreme weather conditions (climate change), as well as pests and diseases that attack the company's crops.

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

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

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

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

Production and investments

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

The price of energy and raw materials are key input cost factors, especially for the production of sugar, starch, inulin and ethanol. Price fluctuations directly impact production costs. This applies not only to the energy sources themselves, but also to 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 used during the campaign. This reduces the impact of price fluctuations on our results.

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

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

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

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

Product prices
The sugar segment is exposed to opportunities and risks resulting from price fluctuations in the world sugar market, the EU common market and animal feed markets. If the expected moderate growth in world sugar consumption is not achieved, price pressure on the world market can be expected to increase. In the event that the deficit on the world sugar market increases or decreases more than expected, global market prices may fall or rise. The world market price trend also influences the sugar price level in the EU. Since many sales contracts are signed for one year at a fixed price, short-term market price changes have only a limited or delayed impact on earnings.

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

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

Information technology
The management of our group is largely dependent on a sophisticated computer system, which is increasingly exposed to information security risks from internal and external sources. We apply appropriate processes and programs to protect the availability, confidentiality and integrity of business-related information and data processing systems. The processes and programs rely on relevant standards, and are operated, monitored and continuously updated by qualified internal and external experts. In view of this, the information systems and processes within the Südzucker Group will be further unified and standardized.

Acquisitions / Restructuring
Südzucker Group buys companies in order to expand its business activities. Acquisition risks include failing to meet strategic objectives or delaying the execution of operative plans. There are also risks associated with integrating the various corporate cultures and processes. Restructuring measures entail the risk that additional expenses of any kind may be incurred over and above the expected costs or that the expected savings may not be achieved. The implementation of restructuring measures in production and administration involves risks that may also affect the business and production processes in question. For example, strikes can cause higher production and logistics costs if beets have to be processed in neighboring factories.

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

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

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

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

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

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

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

Fraud and corruption risks

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

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 euro. To a lesser extent, Group companies in the euro zone also provide financing to subsidiaries in their differing national currencies.

Other financial opportunities and risks

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

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

The rating agencies Moody's and Standard & Poor's assess Südzucker's creditworthiness. Südzucker is committed to 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.

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

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

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

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

Climate targets and associated government policies to reduce 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.

Climate change and sustainability

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

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

Südzucker is an energy intensive industrial refiner, especially its sugar and CropEnergies segments, as well as BENEO and starch divisions, and thus most of the production plants in these segments are subject to the EU emissions trading system. This is why the company has always dealt intensively with potential regulatory (transitory) risks in the area of energy legislation. Government interventions related to the fight against climate change at the EU level (EU Green Deal) and the national level of the countries in which Südzucker operates aimed at meeting the Paris Climate Protection Agreement and the United Nations Climate Convention targets mean that the company can expect potential restrictions on the use or intensification of fossil energy sources in the coming years. Südzucker will take these risks into account as part of its strategy to achieve wide-ranging climate neutrality.

Demand growth and trend towards sustainable consumption

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

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

Employees

The recruitment and long-term retention of skilled employees is an increasing challenge due to demographic developments. Particularly in the IT, technology and natural sciences sectors, there is a risk of not being able to adequately fill vacancies again, or only with delay. In order to protect Südzucker's position when competing for qualified employees, we emphasize the attractiveness of Südzucker Group as an employer through our human resources management policies, which aim to encourage specialists and managers to stay with the company for the long term. In addition to attractive social benefits and compensation policies, we offer a wide range of advanced and continuing education courses, trainee programs, measures to promote health and the reconciliation of work and private life and job opportunities.

One-half of Südzucker's supervisory board constitutes employee representatives from inside the company or the unions. Südzucker is bound by collective bargaining agreements in many countries and social dialogue is common daily practice. Employees are kept abreast of current events and given the opportunity to discuss issues with management in regular employee meetings.

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

Innovations

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

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

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

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

Essentials

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

IFRS reporting guideline

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

Internal audit system as relates to the accounting process

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

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

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

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

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

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

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

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

Internal audit

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

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

External audit

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

CORPORATE GOVERNANCE AND RESPONSIBILITY

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

Supervisory board and executive board operating procedures

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

General information

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

Executive board

Südzucker AG's executive board currently consists of four members. The management body independently manages the company's businesses in the interests of the corporation with the aim of generating sustainable added value. The supervisory board has provided the executive board with rules of procedure, which are in force as per the version dated 30 January 2020.

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

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

Supervisory board

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

The executive board submits comprehensive, timely reports regarding planning, business developments and the group's positioning to the supervisory board - in writing and at regular meetings. Risk management and compliance are additional key reporting topics. If necessary, extraordinary meetings are held with the supervisory board to discuss important issues. The supervisory board has established rules of procedure for its work, which are in force as per the version dated 30 January 2020 and published on the website of Südzucker AG (www.suedzucker.de/en/investor-relations/corporate-governance/aufsichtsrat). The shareholder representatives and employee representatives always meet separately to prepare the supervisory board meetings.

Supervisory board structure

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

Supervisory board diversity policy

As per a resolution passed on 16 November 2017, Südzucker AG's supervisory board is 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 as per item 5.4.2 of the German Corporate Governance Code. Not independent as per item 5.4.2 of the German Corporate Governance Code is anyone who has a personal or business relationship with the company, its organs, a controlling shareholder or company associated with these, which could result in a material and not merely temporary conflict of interest.
- Not more than two former members of the executive board shall be members of the supervisory board.
- The supervisory board shall have at least two members with international experience or specialized knowledge in one of the company's key non-German markets.
- At least one member of the supervisory board shall be a financial expert.
- The supervisory board shall have at least three female and three male members to represent the employees.
- No candidate older than 70 shall be recommended for election or reelection to the supervisory board, unless it would be in the interests of the company.

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

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

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

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

Executive board diversity policy

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

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

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

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

- Number: Given the size of the company and the current organizational and responsibility structure at Südzucker Group, it is recommended that Südzucker AG have at least four executive board members. The supervisory board can appoint a chairperson or speaker from this panel.
- Age: An executive board member should hold office no longer than the end of the fiscal year in which he or she reaches the age of sixty-five.
- Gender: The supervisory board prioritizes qualifications rather than gender when selecting candidates. In its meeting of 17 May 2017, the board decided to extend the target quota for female executive board members of zero % until 16 May 2022.

- Education and career: The educational and career background of members of Südzucker AG's executive board should satisfy the required competencies of general executive board duties, as well as of the member's specific portfolio assignment. These competencies could have been acquired by completing a university degree, some other occupational training or by some other means.
- Internationality: It is recommended that the executive board have at least one member with international experience or specialized knowledge in one of the company's key non-German markets.

Supervisory board committees

The supervisory board has formed an executive committee, audit committee, agricultural committee, social committee and mediation committee from among its members. These committees prepare and supplement its work. The executive and mediation committees each consist of four members. The other committees have six members each, with an equal number of shareholder and employee representatives. The duties of the executive board and the other committees are outlined in the supervisory board rules of procedure version dated 30 January 2020. The audit committee's rules of procedure version dated 21 July 2009 apply to the audit committee. The current members of the committees are presented in the notes under item 37 "Supervisory board and executive board".

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

Shareholders and annual general meeting

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

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

Risk management

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

Corporate governance report

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

Good corporate governance is a given at Südzucker and has been practiced 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], published on 20 March 2020, is largely balanced, practical and of high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles.

The 2019 declaration of compliance is based on the version of the Code dated 7 February 2017[2]. We comply with the recommendations of the code with the exception of the items outlined in the declaration of compliance.

[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.

2019 Declaration of Compliance

In the 2019 mutual declaration of compliance by the executive board and the supervisory board in accordance with article 161 of the German Stock Corporation Act (AktG), the following deviations from the recommendations – compared to last year's statement – were updated:

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

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

Gender quota

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

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

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

Education and training

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

Another information seminar regarding corporate governance topics presented by an external legal expert is planned for fiscal 2020/21.

Remuneration report

Executive board

Südzucker AG's executive board compensation consists of a fixed annual base salary, a variable incentive component based on the average dividends of the previous three years, a company pension plan, which is mainly based on a fixed percentage of the annual base salary, plus payments in kind. The remuneration does not include any share-based compensation or comparable long-term remuneration components. The executive committee has prepared the executive board's compensation, which is defined by the full supervisory board and reviewed at regular intervals. Article 87, paragraph 1 of the German Stock Corporation Act states that the remuneration system for listed companies must be based on sustainable corporate growth and that variable compensation components must therefore be based on terms longer than one year. The requirement regarding a term longer than one year within Sudzucker AG is met by basing the variable component on the average dividend of the three previous fiscal years.

Supervisory board

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

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

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

Asset loss liability insurance

The company has taken out asset loss liability insurance with a deductible, which covers the activities of members of the executive and supervisory boards (D&O insurance). Article 93, paragraph 2 of the German Stock Corporation Act (AktG) states the deductible for supervisory board members shall be at least 10 % of the damage up to at least 1.5 times their fixed annual remuneration. The German Corporate Governance Code 2010 endorses this recommendation with respect to supervisory board members. The D&O insurance deductibles for the executive and supervisory board members have been adjusted accordingly.

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

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

In fiscal 2019/20, the members of the executive and supervisory boards have not informed Südzucker AG about any notifiable directors' dealings in securities.

Compliance

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

Compliance management system

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

Südzucker's CMS contains all rules and measures required to guarantee that everyone at the company knows they must conduct themselves in accordance with the law and to recognize associated risks. It specifies responsibilities, training and reporting paths and is based on the seven principles of the IDW[1] 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 clearifies the importance of compliance within the company ('set the tone from the top').

Compliance objectives

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

Compliance risks

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

Compliance program

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

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

Compliance organization

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

[1] Germany's Institute of Public Auditors

Compliance communication
All employees were informed about Südzucker's code of conduct on Südzucker´s website at → www.suedzucker.de/en/company/profile/code-of-conduct and about corporate compliance principles at → www.suedzucker.de/en/investor-relations/corporate-governance/compliance. Posters are put up at the company sites to increase employee awareness of compliance principles during their day-to-day activities. Suspicious conduct can also be reported using anonymous whistleblower systems.

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

Disclosures on takeovers

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

Composition of subscribed capital and voting rights
As of 29 February 2020, Südzucker's subscribed capital remains unchanged at € 204,183,292 and consists of 204,183,292 ordinary bearer shares, each of which represents a notional holding of € 1 per share. The company held no treasury shares as of the balance sheet date.

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

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

Südzucker AG shareholdings exceeding 10 %
Südzucker AG knows of two direct equity investments in the company that exceed 10 %: SZVG owns 58.3 % of total share capital and Zucker Invest 10.3 %. Raiffeisen-Holding and its associated companies hold a direct interest via Zucker Invest. The shareholdings are reciprocally attributed to the companies, so that each holds a share of about 68.6 % of total share capital, according to the German Securities Trading Act.

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

Appointment and dismissal of executive board members
Executive board members are appointed and dismissed by the supervisory board in accordance with articles 84 and 85 of the German Stock Corporation Act (AktG) and article 31 of the German Codetermination Act (MitbestG). In accordance with article 5, item 2 of Südzucker AG's articles of incorporation in the current version dated 18 July 2018, the supervisory board determines the number of executive board members and the supervisory board has the authority to appoint deputy members.

Amendments to the articles of association
Amendments to the articles of association are governed by articles 179 and following of the German Stock Corporation Act (AktG). Article 22 of the articles of incorporation (current version as of 18 July 2019) authorizes the supervisory board to make amendments to the company's articles of association that only affect the wording.

Authority of the executive board, especially as relates to issuing and share 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 boards' compensation are outlined in the section "compensation report" section of the corporate governance report, which forms part of this group management report.

Non-financial statement

Südzucker uses the GRI standards 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 and 315c of the German Commercial Code in conjunction with article 289e of the German Commercial Code. References to the information regarding the contents of the non-financial statement are listed in the table at the end of this section.

The concepts – that is, guidelines, principles and management approach – for each aspect are described in the respective chapters. This includes disclosure of targets and degree of achievement.

The financial performance indicators are described in the chapter on value management. The expected development is presented in the outlook section. At the present time, no non-financial performance indicators exist at the Südzucker Group level as defined in article 289c, paragraph 3, item 5 of the German Commercial Code.

The risk and opportunities report provides a summary of the financial and non-financial corporate risks. Non-financial corporate risks arise at Südzucker as a result of the impact of its own activities on the environment, employees and society. The same applies to its activities surrounding associated business relationships. Examples here include energy use, especially as a result of large-scale processing of agricultural products, respect for union rights and social dialogue, and the impact of the company's products on consumers. Südzucker has implemented extensive programs to reduce these non-financial risks and to prevent negative impacts. As a result of these programs, for example in the areas of environmental protection, work safety and quality assurance, there are no material non-financial corporate risks associated with Südzucker's business activities, business relationships and products.

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

As part of the audit of the consolidated 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 and compare the requirements of ISAE 3000 (Revised) to the requirements of the CSR Guidelines Implementation Law.

A note from the independent public auditor after performing a limited assurance engagement on selected details of the non-financial report dated 29 February 2020 is reproduced in its entirety at the end of this annual report at the end of the section "Additional information" starting on page 219.

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

Information regarding the contents of the non-financial statement

Aspects of the non-financial items according to section 289 of the HGB	Items according to the materiality matrix	Section	Page
Business model	–	Business model and strategy	34 ff
Sustainability	–	Sustainability / Rooted in our corporate culture, external assessment of sustainability	37 39
Materiality matrix	–	About the group / Sustainability/sustainability management	38
Environmental issues	Production process energy consumption and emissions Water withdrawal by production Production wastewater Production material waste	Environment / Production Business report Sugar segment / Environment Special products segment / Environment CropEnergies segment/Environment Fruit segment / Environment	40 ff 71 ff 77 f 82 f 86 f
	Vendor selection / procurement	Environment / Procurement Environment / Logistics / Procurement logistics	42 f 43 f
	Distribution / logistics	Environment / Logistics / Distribution logistics	43 f
	Biodiversity	Environment / Procurement / Biodiversity	43
Employee issues	Respect for human rights at all production plants	Employees / Management approach Society/Respect for human rights	45 51
	Gender equality and diversity	Employees / Gender equality and diversity	45 ff
	Training and personnel development	Employees / Employee development / Training and continuing education	47 f
	Workplace health and safety	Employees / Workplace health and safety	48 f
	Union rights, freedom of association and social dialogue	Employees / Dialogue with employee representatives and unions	49
	General conditions such as existence of collective bargaining agreements	Employees / Dialogue with employee representatives and unions	49
Social issues	Social aspects of vendor selection / procurement	Environment / Procurement	42 f
	Product safety and consumer protection	Society / Product responsibility and quality	49 f
	Maintaining and creating value and jobs	Society / Value added in rural areas	50
	Dialogue with communities and consideration of local concerns	Society / Dialogue with communities	50
	Dialogue with political institutions, political lobbying	Society / dialogue with governments and institutions	50
Human rights protection	Vendor selection / procurement	Environment / Procurement	42
	Respect for human rights at all production plants	Employees / Management approach Society/Respect for human rights	45 51
	Prohibition of child labor, forced or compulsory labor	Employees / Management approach Society / Respect for human rights	45 51
Bribery and corruption control	Vendor selection / procurement	Environment / Procurement	42 f
	Combating corruption and bribery	Corporate management and responsibility / Compliance	106 f

TABLE 043

Consolidated financial statements

STATEMENT OF COMPREHENSIVE INCOME

1 March 2019 to 29 February 2020

€ million	Notes	2019/20	2018/19	+/– in %
Income statement				
Revenues	(6)	**6,670.7**	**6,754.1**	**–1.2**
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	180.4	–188.5	–
Other operating income	(8)	113.2	122.8	–7.8
Cost of materials	(9)	–4,628.0	–4,460.4	3.8
Personnel expenses	(10)	–978.4	–975.4	0.3
Depreciation	(11)	–363.9	–435.5	–16.4
Goodwill impairment	(11)	0.0	–673.1	–100.0
Other operating expenses	(12)	–897.1	–926.8	–3.2
Result from companies consolidated at equity	(13)	–48.9	22.1	–
Result from operations	(14)	**48.0**	**–760.7**	**–**
Financial income	(15)	48.5	44.5	9.0
Financial expense	(15)	–87.6	–67.7	29.4
Earnings before income taxes		**8.9**	**–783.9**	**–**
Taxes on income	(16)	–63.4	–21.4	> 100
Net earnings	(18)	**–54.5**	**–805.3**	**–93.2**
of which attributable to Südzucker AG shareholders		–121.5	–844.3	–85.6
of which attributable to hybrid capital		13.0	13.2	–1.5
of which attributable to other non-controlling interests		54.0	25.8	> 100
Earnings per share (€)	(18)	**–0.60**	**–4.14**	**–85.5**

€ million	Notes	2019/20	2018/19	+/– in %
Statement of other comprehensive income				
Net earnings		**−54.5**	**−805.3**	**−93.2**
Market value of hedging instruments (cash flow hedge) after deferred taxes		1.5	−10.8	–
Revaluation not affecting income		−30.9	−4.0	> 100
Realization resulting in a profit or loss		32.4	−11.4	–
Deferred taxes		0.0	4.6	−100.0
Exchange differences on net investments in foreign operations after deferred taxes		8.7	9.3	−6.5
Revaluation not affecting income		11.0	13.5	−18.5
Deferred taxes		−2.3	−4.2	−45.2
Foreign currency translation differences		−25.2	−1.7	> 100
Share from companies consolidated at equity		5.5	17.5	−68.6
Income and expenses to be recognized in the income statement in the future	(19)	**−9.5**	**14.3**	**–**
Market value of equity instruments (securities) after deferred taxes		0.4	0.8	−50.0
Revaluation not affecting income		0.5	1.0	−51.1
Deferred taxes		−0.1	−0.2	−55.0
Remeasurement of defined benefit pension plans and similar obligations after deferred taxes	(27)	−159.4	−62.8	> 100
Revaluation not affecting income		−166.7	−42.2	> 100
Deferred taxes		7.3	−20.6	–
Share from companies consolidated at equity		−0.4	0.3	–
Income and expenses not to be recognized in the income statement in the future	(19)	**−159.4**	**−61.7**	**> 100**
Other comprehensive result	(19)	**−168.9**	**−47.4**	**> 100**
Comprehensive income		**−223.4**	**−852.7**	**−73.8**
of which attributable to Südzucker AG shareholders		−281.6	−888.2	−68.3
of which attributable to hybrid capital		13.0	13.2	−1.5
of which attributable to other non-controlling interests		45.2	22.3	> 100

TABLE 044

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 2019 to 29 February 2020

€ million	Notes	2019/20	2018/19	+/– in %
Net earnings		–54.5	–805.3	–93.2
Goodwill impairment (+)		0.0	673.1	–100.0
Depreciation and amortization of intangible assets, fixed assets and other investments (+)		369.8	435.5	–15.1
Decrease (–) / Increase (+) in non-current provisions and (deferred) tax liabilities and increase (–) / decrease (+) in deferred tax assets		–17.9	76.1	–
Other income (–) / expenses (+) not affecting cash		74.8	–2.3	–
Cash flow		**372.2**	**377.1**	**–1.3**
Decrease (–) / Increase (+) in current provisions		–28.0	–102.2	–72.6
Increase (–) / Decrease (+) in inventories, receivables and other current assets		–207.3	243.4	–
Decrease (–) / Increase (+) in liabilities (excluding financial liabilities)		18.1	–254.6	–
Increase (–) / Decrease (+) in working capital		**–217.2**	**–113.4**	**91.5**
Gain (–) / Loss (+) on disposal of items included in non-current assets and of securities		0.2	–1.6	–
I. Net cash flow from operating activities		**155.2**	**262.1**	**–40.8**
Investments in fixed assets and intangible assets (–)		–335.3	–378.7	–11.5
Investments in financial assets (–)		–12.6	–15.3	–17.6
Investments		**–347.9**	**–394.0**	**–11.7**
Cash received on disinvestments (+)		1.0	0.0	–
Cash received from the disposal of non-current assets (+)		6.6	11.2	–41.1
Cash paid (–) for the purchase of commercial papers		–15.0	0.0	–
Cash paid (–) / received (+) for the purchase / sale of other securities [1]		79.2	–38.3	–
II. Cash flow from investing activities [1]		**–276.1**	**–421.1**	**–34.4**

€ million	Notes	2019/20	2018/19	+/– in %
Repayment (–) of the bond 2011/2018		0.0	–400.0	–100.0
Repayment (–)/Issuance (+) of commercial papers		100.0	230.0	–56.5
Repayment (–) of lease liabilities		–31.2	0.0	–
Other repayment (–)/refund (+) of financial liabilities		202.7	222.8	–9.0
Repayment (–)/refund (+) of financial liabilities		**271.5**	**52.8**	**> 100**
Increases in stakes held in subsidiaries (–)		0.0	–0.4	–100.0
Decrease in stakes held in subsidiaries/capital increase (+)/capital buyback (–)		0.0	2.5	–100.0
Dividends paid (–)		–101.9	–160.7	–36.6
III. Cash flow from financing activities		**169.6**	**–105.8**	**–**
Change in cash and cash equivalent (total of I., II. and III.)[1]		**48.7**	**–264.8**	**–**
Change in cash and cash equivalents				
due to exchange rate changes[1]		1.0	–1.4	–
due to changes in entities included in consolidation/other		0.0	1.0	–100.0
Decrease (–)/Increase (+) in cash and cash equivalents[1]		**49.7**	**–265.2**	**–**
Cash and cash equivalents at the beginning of the period[1]		147.7	412.9	–64.2
Cash and cash equivalents at the end of the period[1]		**197.4**	**147.7**	**33.6**
Dividends received from companies consolidated at equity/other participations		18.0	19.3	–6.7
Interest receipts	(20)	13.0	14.4	–9.7
Interest payments	(20)	–24.4	–36.0	–32.2
Income taxes paid	(20)	–77.4	–74.9	3.3

[1] The previous year's amount has been adjusted. Further details are provided under Note (1) of the notes to the consolidated financial statements.

TABLE 045

Further disclosures on the cash flow statement are included in note (20) of the notes to the group consolidated financial statements.

BALANCE SHEET

29 February 2020

€ million	Notes	29 February 2020	28 February 2019	+/– in %
Assets				
Intangible assets	(21)	1,001.2	1,000.7	0.0
Fixed assets	(22)	3,060.7	2,950.8	3.7
Shares in companies consolidated at equity	(23)	312.8	389.9	–19.8
Other investments	(23)	20.1	23.1	–13.0
Securities	(30)	19.6	18.8	4.3
Other assets	(25)	14.7	12.9	14.0
Deferred tax assets	(16)	74.4	74.5	–0.1
Non-current assets		**4,503.5**	**4,470.7**	**0.7**
Inventories	(24)	2,176.1	1,977.0	10.1
Trade receivables	(25)	978.2	972.7	0.6
Other assets	(25)	263.7	256.8	2.7
Current tax receivables	(16)	28.3	31.0	–8.7
Securities [1]	(30)	267.5	332.0	–19.4
Cash and cash equivalents [1]	(30)	197.4	147.7	33.6
Current assets		**3,911.2**	**3,717.2**	**5.2**
Total assets		**8,414.7**	**8,187.9**	**2.8**

€ million	Notes	29 February 2020	28 February 2019	+/– in %
Liabilities and shareholders' equity				
Equity attributable to shareholders of Südzucker AG		2,127.3	2,476.1	–14.1
Hybrid capital		653.7	653.7	0.0
Other non-controlling interests		891.5	888.6	0.3
Total equity	(26)	**3,672.5**	**4,018.4**	**–8.6**
Provisions for pensions and similar obligations	(27)	1,001.8	831.6	20.5
Other provisions	(28)	242.1	245.6	–1.4
Financial liabilities	(30)	1,429.1	1,126.1	26.9
Other liabilities	(29)	9.8	13.5	–27.4
Tax liabilities	(16)	13.3	22.6	–41.2
Deferred tax liabilities	(16)	146.1	158.7	–7.9
Non-current liabilities		**2,842.2**	**2,398.1**	**18.5**
Other provisions	(28)	119.5	147.7	–19.1
Financial liabilities	(30)	625.1	501.4	24.7
Trade payables	(29)	817.6	786.4	4.0
Other liabilities	(29)	322.6	317.9	1.5
Current tax liabilities	(16)	15.2	18.0	–15.6
Current liabilities		**1,900.0**	**1,771.4**	**7.3**
Total liabilities and equity		**8,414.7**	**8,187.9**	**2.8**
Net financial debt		1,569.7	1,129.0	39.0
Equity ratio		43.6	49.1	
Net financial debt as % of equity (gearing)		42.7	28.1	

[1] The previous year's amount has been adjusted. Further details are provided under Note (1) of the notes to the consolidated financial statements.

TABLE 046

Further disclosures regarding the balance sheet are outlined in notes (16) and (21) to (30) of the notes to the group consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1 March 2019 to 29 February 2020

€ million	Outstanding subscribed capital	Capital reserve	Other reserves
1 March 2018	**204.2**	**1,614.9**	**1,736.8**
Net earnings			−844.3
Other comprehensive income / loss before taxes			−39.1
Taxes on other comprehensive income			−21.0
Comprehensive income			**−904.4**
Distributions			−91.9
Decrease in stakes held in subsidiaries / capital increase	0.0	0.0	0.0
Other changes			−3.2
28 February 2019	**204.2**	**1,614.9**	**737.3**
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
Own shares	0.0	0.0	0.0
Other changes			−26.4
29 February 2020	**204.2**	**1,614.9**	**394.3**

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
11.3	**−17.1**	**−58.9**	**−31.8**	**3,459.4**	**653.7**	**917.7**	**5,030.8**
				−844.3	13.2	25.8	−805.3
−16.1	13.5	0.2	18.1	−23.5		−3.5	−27.0
4.8	−4.2			−20.4		−0.0	−20.4
−11.3	**9.3**	**0.2**	**18.1**	**−888.2**	**13.2**	**22.3**	**−852.7**
				−91.9	−13.2	−50.3	−155.4
				0.0	0.0	0.0	0.0
				−3.2		−1.1	−4.4
0.0	**−7.8**	**−58.7**	**−13.7**	**2,476.1**	**653.7**	**888.6**	**4,018.4**
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**

TABLE 047

SEGMENT REPORT

€ million	2019/20	2018/19	+/– in %
Südzucker Group			
Gross revenues	**7,019.0**	**7,128.6**	**–1.5**
Consolidation	–348.3	–374.5	–7.0
Revenues	**6,670.7**	**6,754.1**	**–1.2**
EBITDA	**478.3**	**353.5**	**35.3**
EBITDA margin	7.2 %	5.2 %	
Depreciation	–361.9	–326.2	10.9
Operating result	**116.4**	**27.3**	**> 100**
Operating margin	1.7 %	0.4 %	
Result from restructuring / special items	–19.5	–810.1	–97.6
Result from companies consolidated at equity	–48.9	22.1	–
Result from operations	**48.0**	**–760.7**	**–**
Investments in fixed assets [1]	335.3	378.7	–11.5
Investments in financial assets / acquisitions	12.6	15.3	–17.6
Total investments	**347.9**	**394.0**	**–11.7**
Shares in companies consolidated at equity	312.8	389.9	–19.8
Capital employed	6,387.5	6,072.1	5.2
Return on capital employed	1.8 %	0.4 %	
Employees	**19,188**	**19,219**	**–0.2**
Sugar segment			
Gross revenues	**2,407.9**	**2,758.8**	**–12.7**
Consolidation	–150.7	–170.5	–11.6
Revenues	**2,257.2**	**2,588.3**	**–12.8**
EBITDA	**–75.1**	**–101.2**	**–25.8**
EBITDA margin	–3.3 %	–3.9 %	
Depreciation	–160.6	–137.7	16.6
Operating result	**–235.7**	**–238.9**	**–1.3**
Operating margin	–10. 4 %	–9. 2 %	
Result from restructuring / special items	–17.5	–769.7	–97.7
Result from companies consolidated at equity	–65.6	5.3	–
Result from operations	**–318.8**	**–1,003.3**	**–68.2**
Investments in fixed assets [1]	104.0	144.8	–28.2
Investments in financial assets / acquisitions	10.1	1.8	> 100
Total investments	**114.1**	**146.6**	**–22.2**
Shares in companies consolidated at equity	252.1	326.3	–22.7
Capital employed	2,814.7	2,652.5	6.1
Return on capital employed	–8.4 %	–9.0 %	
Employees	**6,597**	**6,950**	**–5.1**

[1] Including intangible assets.

€ million	2019/20	2018/19	+/− in %
Special products segment			
Gross revenues	**2,525.6**	**2,411.6**	**4.7**
Consolidation	−116.2	−117.8	−1.4
Revenues	**2,409.4**	**2,293.8**	**5.0**
EBITDA	**306.2**	**267.6**	**14.4**
EBITDA margin	12.7 %	11.7 %	
Depreciation	−116.0	−111.5	4.0
Operating result	**190.2**	**156.1**	**21.8**
Operating margin	7.9 %	6.8 %	
Result from restructuring / special items	0.1	−50.5	–
Result from companies consolidated at equity	16.5	16.6	−0.6
Result from operations	**206.8**	**122.2**	**69.2**
Investments in fixed assets [1]	149.5	164.5	−9.1
Investments in financial assets / acquisitions	2.0	7.7	−74.0
Total investments	**151.5**	**172.2**	**−12.0**
Shares in companies consolidated at equity	58.4	61.5	−5.0
Capital employed	2,267.4	2,132.9	6.3
Return on capital employed	8.4 %	7.3 %	
Employees	**6,017**	**6,033**	**−0.3**
CropEnergies segment			
Gross revenues	**899.2**	**778.6**	**15.5**
Consolidation	−80.2	−85.5	−6.2
Revenues	**819.0**	**693.1**	**18.2**
EBITDA	**146.1**	**72.1**	**> 100**
EBITDA margin	17.8 %	10.4 %	
Depreciation	−42.2	−39.3	7.4
Operating result	**103.9**	**32.8**	**> 100**
Operating margin	12.7 %	4.7 %	
Result from restructuring / special items	0.0	10.1	–
Result from companies consolidated at equity	0.2	0.2	0.0
Result from operations	**104.1**	**43.1**	**> 100**
Investments in fixed assets [1]	29.9	13.2	> 100
Investments in financial assets / acquisitions	0.0	0.0	–
Total investments	**29.9**	**13.2**	**> 100**
Shares in companies consolidated at equity	2.3	2.1	9.5
Capital employed	450.0	456.3	−1.4
Return on capital employed	23.1 %	7.2 %	
Employees	**450**	**433**	**3.9**

[1] Including intangible assets.

€ million	2019/20	2018/19	+/– in %
Fruit segment			
Gross revenues	**1,186.3**	**1,179.6**	**0.6**
Consolidation	–1.2	–0.7	71.4
Revenues	**1,185.1**	**1,178.9**	**0.5**
EBITDA	**101.1**	**115.0**	**–12.1**
EBITDA margin	8.5 %	9.8 %	
Depreciation	–43.1	–37.7	14.3
Operating result	**58.0**	**77.3**	**–25.0**
Operating margin	4.9 %	6.6 %	
Result from restructuring / special items	–2.1	0.0	–
Result from companies consolidated at equity	0.0	0.0	–
Result from operations	**55.9**	**77.3**	**–27.7**
Investments in fixed assets [1]	51.9	56.2	–7.7
Investments in financial assets / acquisitions	0.5	5.8	–91.4
Total investments	**52.4**	**62.0**	**–15.5**
Shares in companies consolidated at equity	0.0	0.0	–
Capital employed	855.4	830.4	3.0
Return on capital employed	6.8 %	9.3 %	
Employees	**6,124**	**5,803**	**5.5**

[1] Including intangible assets.

TABLE 048

As outlined in IFRS 8 (Operating Segments), the reporting segments of Südzucker Group are aligned with the internal reporting structure in direction to the group executive board. Südzucker Group reports for the four segments sugar, special products, CropEnergies and fruit.

Sugar segment

Within segment sugar, products such as sugar, sugar specialities and animal feed are being produced and marketed. The segment comprises the division business area sugar including the four production locations in Belgium (Raffinerie Tirlemontoise S.A., Tienen), Germany (Südzucker AG, Mannheim), France (Saint Louis Sucre S.A.S., Paris) and Poland (Südzucker Polska S.A., Wrocław) as well as distributors in Greece, the United Kingdom, Israel, Italy and Spain. The AGRANA Zucker division comprises sugar production in Austria, Romania, Slovakia, Czech Republic and Hungary 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) 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 division business area sugar. 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 as well as trading activities in Chile, 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. Operating margin is calculated as the percentage of operating result to revenues.

Capital employed

Capital employed reflects operating capital tied up in the segments and in the group. It consists of fixed assets, including intangible assets, and working capital (inventories, trade receivables and other assets less trade accounts payable, other liabilities and current provisions). In order to uniformly present the actual capital employed from a group perspective, the carrying amounts of goodwill items from the fruit segment are fully disclosed as at the level of the immediate parent company, AGRANA Beteiligungs-AG. Working capital includes only inherently non-interest bearing receivables and payables.

Transactions between segments – with revenues of € 348.3 (374.5) 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	2019/20	2018/19
Operating result	**116.4**	**27.3**
Goodwill	852.1	842.7
Concessions, industrial and similar rights	261.7	270.5
Fixed assets	3,060.7	2,950.8
Non-interest bearing receivables	*1,232.5*	*1,223.4*
Inventories	*2,176.1*	*1,977.0*
./. Current provisions	*−119.5*	*−147.7*
./. Non-interest bearing liabilities	*−1,076.1*	*−1,044.6*
Working capital	2,213.0	2,008.1
Capital employed	**6,387.5**	**6,072.1**
Return on capital employed	**1.8 %**	**0.4 %**

TABLE 049

Information about countries respectively geographic segments is provided below:

€ million	2019/20	2018/19
Carrying amount fixed and intangible assets (excluding goodwill)		
Germany	1,013.4	967.7
Belgium	481.7	480.2
France	276.7	275.2
Austria	557.4	498.2
Poland	125.9	122.9
United Kingdom	118.7	115.9
Other EU	281.2	286.7
EU (incl. United Kingdom)	1,722.9	1,663.2
Other countries	586.1	590.3
Total	**3,322.4**	**3,221.3**
Employees		
Germany	4,159	4,260
Other EU (incl. United Kingdom)	9,148	9,185
Other countries	5,881	5,774
Total	**19,188**	**19,219**

TABLE 050

The regional allocation of the carrying amount on fixed and intangible assets (excluding goowill), investments and employees is according to the countries 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 18 July 2011, the corporate purpose of the company is the production of sugar, its sales, the utilization of its byproducts 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 29 February 2020 were prepared on 22 April 2020 by the executive board and received an unqualified audit opinion by Pricewaterhouse-Coopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The audit committee will audit the consolidated financial statements on 7 May 2020, which are subsequently audited and approved by the supervisory board on 13 May 2020. The publication date of the consolidated financial statements including the management report (annual report) is 14 May 2020.

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 IFRS and IFRIC

The following standards were mandatory for the first time in the 2019/20 financial year:

Standard		Passed by IASB	Adopted by the EU
IAS 19 (amended 2018)	Employee benefits (amendment)	07.02.2018	13.03.2019
IAS 28 (amended 2017)	Investments in associates and joint ventures (amendment)	12.10.2017	08.02.2019
IFRS 9 (amended 2017)	Financial instruments Contracts (amendment)	12.10.2017	22.03.2018
IFRS 16	Leases	13.01.2016	31.10.2017
Diverse	Annual improvements to IFRS standards 2015 – 2017 cycle	12.12.2017	14.03.2019
IFRIC 23	Uncertainty over income tax treatments	07.06.2017	23.10.2018

TABLE 051

The first-time adoption of the IAS 19 (Employee Benefits) and IAS 28 (Investments in Associates) standards did not apply to Südzucker. Also the interpretation of IFRIC 23 (Uncertainty over Income Tax Treatment), supplementing the rules of IAS 12 with respect to Uncertainties over Income Tax Treatment, did not apply to Südzucker in financial year 2019/20.

IFRS 16 (Leases)

In accordance with the transitional provisions of IFRS 16, first-time adoption of IFRS 16 follows the modified retrospective approach and is thus carried out without adjustments to prior year figures.

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).

Rights of use amounting to € 131.9 million and lease liabilities amounting to € 135.5 million were estimated with the first-time adoption of IFRS 16. The rights of use will be presented in the balance sheet together with the acquired property, plant and equipment. In the 2018/19 financial year a provision was created for future payments arising from an onerous operating lease, as the leased asset will no longer be used in light of a planned plant closure. With the first-time adoption of IFRS 16, the provision for impending losses was offset against the corresponding right of use. In addition, an obligation to return the property to its original state in the amount of € 5.4 million was formed for a long-standing land lease agreement. The adjustments for current assets and other debt mainly relate to deferred lease payments from the prior year.

Effects of IFRS 16 on the balance sheet

€ million	Amount published 28 February 2019	Adjustments IFRS 16	Amount adjusted 1 March 2019
Assets			
Intangible assets	1,000.7	0.0	1,000.7
Tangible assets	2,950.8	131.9	3,082.7
Remaining assets	519.2	0.0	519.2
Non-current assets	**4,470.7**	**131.9**	**4,602.6**
Inventories	1,977.0	0.0	1,977.0
Trade receivables	972.7	0.0	972.7
Remaining assets	767.5	−0.1	767.4
Current assets	**3,717.2**	**−0.1**	**3,717.1**
Total assets	**8,187.9**	**131.8**	**8,319.7**
Equity and liabilities			
Total equity	**4,018.4**	**0.0**	**4,018.4**
Other provisions	245.6	−1.2	244.4
Financial liabilities	1,126.1	106.6	1,232.7
Remaining liabilities	1,026.4	0.0	1,026.4
Non-current liabilities	**2,398.1**	**105.4**	**2,503.5**
Other provisions	147.7	0.0	147.7
Financial liabilities	501.4	28.9	530.3
Remaining liabilities	1,122.3	−2.5	1,119.8
Current liabilities	**1,771.4**	**26.4**	**1,797.8**
Total liabilities and equity	**8,187.9**	**131.8**	**8,319.7**

TABLE 052

Adjustments to the figures for the previous year for cash and cash equivalents and short term securities

A reallocation of time deposits resulted in the item cash and cash equivalents being reclassified as securities within current assets and an adjustment of the previous year's position by € 206.4 million as of 28 February 2019 and € 172.3 million as of 1 March 2018. The presentation of investment in securities in the cash flow statement for the 2018/2019 financial year and the currency effect of cash and cash equivalents were correspondingly adjusted. These adjustments were made against the backdrop of a publication for the purpose of clarification by the European Securities and Markets Authority (ESMA) in July 2019 on the statement of demand deposits.

Future application of IFRS and IFRIC

The following is a summary of the standards and interpretations that must be applied as of the 2020/21 financial year or later, because they have already been accepted by the EU or that were published by the IASB, but have yet to be recognized by the EU. The expected effective date is provided for standards that have not yet been recognized by the EU. Südzucker has not opted for the early adoption of any of the new or amended requirements below. The information on the content is based on whether and in what form the provisions are relevant to Südzucker; if future requirements do not apply to Südzucker, no information on content is provided.

Standard / Interpretation	Passed by IASB / Adopted by the EU	Mandatory application for Südzucker as of financial year	Content and, if relevant, expected impact on Südzucker
Conceptual Framework (amendment)	29.03.2018 / 29.11.2019	2020/21	The amendment is not relevant to Südzucker.
IAS 1 Presentation of Financial Statements (amendment)	31.10.2018 / 29.11.2019	2020/21	The amendment has specified the definition of "material".
IAS 1 Presentation of Financial Statements (amendment)	23.01.2020 / No	2022/23	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. The amendments may become relevant from the 2022/23 financial year.
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendment)	31.10.2018 / 29.11.2019	2020/21	The amendment refers to the definition of "material" in IAS 1.
IAS 39 (amended 2019) Financial Instruments: Recognition and Measurement (amendment)	26.09.2019 / 15.01.2020	2020/21	The interest rate benchmark reform addressed the question of how the replacement of an existing interest rate benchmark (IBOR) impacts specific hedge accounting requirements.
IFRS 3 Business Combinations (amendment)	22.10.2018 / No	2020/21	The amendment has adjusted the definition of a business as distinguished from an acquisition of a group of assets. The amendments may become relevant to business combinations from the 2020/21 financial year.
IFRS 7 (amended 2019) Financial Instruments: Disclosures (amendment)	26.09.2019 / 15.01.2020	2020/21	See information about IAS 39 (amended 2019).
IFRS 9 (amended 2019) Financial Instruments (amendment)	26.09.2019 / 15.01.2020	2020/21	See information about IAS 39 (amended 2019).
IFRS 17 Insurance Contracts	18.05.2017 / No	2021/22	The standard is not relevant to Südzucker.
Miscellaneous Conceptual Framework (itself not part of the EU endorsement process, but changes to the references within the various IFRS)	29.03.2018 / 29.11.2019	2020/21	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.

TABLE 053

(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. 152 (156) companies in addition to Südzucker AG were included in the consolidated financial statements at the balance sheet date. AGRANA Fruit Fiji Pty Ltd., Sigatoka, Fiji was sold on 1 July 2019. The sale is unlikely to have any significant impact on the consolidated financial statements; the profit of € 0.6 million resulting from the sale is recorded under other operating income. Three companies were merged and one was liquidated.

First-time consolidation of acquired companies

On 26 November 2019 PortionPack Europe Holding B.V. increased its share in South African portion pack producer Collaborative Packing Solutions [Pty] Ltd, headquarted in Johannesburg, from 40 % to 75 %. The existing joint venture accounted for using the equity method was fully consolidated from 1 December 2019. The share price for the larger stake was around € 2.3 million. The first purchase price installment of € 1.6 million was paid immediately following the competitive release in the third quarter 2019/20. Alongside the existing share recognized at market value in the amount of € 3.7 million, after deducting the carrying amount of net assets, which essentially is comprising fixed assets, acquired and non-controlling interests, the resulting goodwill at the date of acquisition is € 2.1 million.

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, CT Biocarbonic GmbH, Maxi S.r.l. and until they were fully consolidated from 1 December 2019 Collaborative Packing Solutions (Pty) Ltd as well as to the associate ED&F Man Holdings Limited. The newly established joint venture Beta Pura GmbH, Vienna, Austria, was consolidated at equity for the first time from the first quarter of 2019/20. In the case of valuation at equity, the pro rata result is recognized in profit or loss; the effects of market value measurements and exchange rate differences attributable to Südzucker are recognized in equity under other comprehensive income.

The following is a summary of the financial position and performance of joint ventures with the largest share attributable to Hungrana Group:

28/29 February			2020			2019
€ million	Total	Hungrana Group	Other	Total	Hungrana Group	Other
Non-current assets	181.8	113.5	68.3	159.5	112.8	46.7
Inventories	99.2	50.9	48.3	84.9	50.4	34.4
Receivables and other assets	92.1	32.1	59.9	89.1	33.5	55.6
Cash, cash equivalents and securities	17.6	4.9	12.7	15.2	2.3	12.8
Current assets	208.9	87.9	120.9	189.1	86.3	102.8
Total assets	**390.7**	**201.5**	**189.2**	**348.6**	**199.0**	**149.6**
Equity	163.4	115.9	47.5	151.4	119.6	31.8
External financial liabilities	13.5	0.8	12.7	0.4	0.0	0.4
Other liabilities	6.6	1.8	4.8	7.4	1.9	5.5
Non-current liabilities	20.1	2.6	17.5	7.7	1.9	5.8
External financial liabilities	94.5	53.6	40.9	93.9	51.2	42.7
Other liabilities	112.7	29.4	83.3	95.5	26.3	69.2
Current liabilities	207.2	83.0	124.2	189.4	77.5	111.9
Total liabilities and equity	**390.7**	**201.5**	**189.2**	**348.6**	**199.0**	**149.6**
Revenues	612.9	287.1	325.8	623.0	280.1	342.9
Depreciation	−16.4	−12.5	−3.9	−15.0	−10.9	−4.0
Other expenses	−550.7	−235.0	−315.8	−569.1	−230.4	−338.6
Result from operations	**45.8**	**39.7**	**6.1**	**38.9**	**38.7**	**0.2**
Interest income	0.1	0.0	0.1	0.2	0.0	0.2
Interest expense	−1.4	−0.7	−0.7	−1.7	−0.7	−1.0
Other financial expense	−0.9	−1.7	1.0	−0.3	−0.9	0.5
Earnings before income taxes	**43.7**	**37.2**	**6.5**	**37.1**	**37.1**	**0.0**
Taxes on income	−5.9	−4.6	−1.4	−6.7	−4.8	−1.9
Net earnings	**37.8**	**32.7**	**5.1**	**30.4**	**32.4**	**−1.9**
Income and expenses recognized in other comprehensive income	−7.5	−8.4	0.9	−1.1	−0.8	−0.3
Comprehensive income	**30.3**	**24.3**	**6.0**	**29.4**	**31.5**	**−2.2**

TABLE 054

ED&F Man Holdings Limited

As the only material associated company, ED&F Man Holdings Limited, London, United Kingdom, is consolidated at equity. The company has a different financial year than Südzucker that ends on 30 September and 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	2019	2018
Non-current assets	713.9	711.2
Current assets	23,790.4	31,836.1
Total assets	**24,504.3**	**32,547.3**
Equity	483.3	739.6
Non-current liabilities	665.1	651.5
Current liabilities	23,355.9	31,156.2
Total liabilities and equity	**24,504.3**	**32,547.3**
Revenues	6,852.5	6,665.7
– other expenses	−7,060.8	−6,658.1
= Net earnings	−208.3	7.6
Income and expenses recognized in other comprehensive income	20.5	45.8
Comprehensive income	**−187.8**	**53.4**

TABLE 055

The net loss in 2019 totaling € −208.3 million after net earnings in 2018 of € 7.6 million reflects the unchanging difficult Sugar market environment. Beyond the more moderate earnings contribution from the company's operating activities, the result was also strained by significant expenditures not affecting cash from the strategic restructuring of the ED&F Man Group. As part of this strategic restructuring various industry stakes that have had a negative effect on the net result until now are to be sold outside of the actual trading business – such as the sugar mills of the Mexican joint venture Azucar Grupo Saenz. Implementation of the corresponding measures is scheduled to take place during the year 2020.

The income and expenses neutrally recognized in equity show an overall reduction of € 20.5 (45.8) million and are largely attributable to foreign currency translation. As in the previous year the US dollar rallied against the euro by around 4 (7 %). The first-time adoption of IFRS 15 and IFRS 9 at ED&F Man led to an adjustment to the previous year's values in revenue reserves. This, along with effects from the current financial year reduced revenue reserves by € 68 million, which Südzucker recorded proportionally as other changes in other reserves as an equity component.

Südzucker holds a stake of around 35 % in the trading company ED&F Man Holdings Limited. The voting share is currently capped at 24.99 %; however, Südzucker has a statutory blocking stake and veto power over major transactions.

The carrying amount of all shares in companies consolidated at equity is € 312.8 (389.9) 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	2020		2019	
€ million	ED&F MAN Group	Hungrana Group	ED&F MAN Group	Hungrana Group
Equity	483.3	115.9	739.6	119.6
+/− Adjustments (in substance other minority interests)	6.9	0.0	−8.0	0.0
= Equity attributable to shareholders	**490.2**	**115.9**	**731.6**	**119.6**
thereof Südzucker-share in equity	*169.4*	*58.0*	*254.2*	*59.8*
+ Goodwill	55.0	0.4	52.9	0.4
= Shares in companies consolidated at equity (carrying amount)	**224.4**	**58.4**	**307.1**	**60.2**
Dividends paid to Südzucker	0.0	14.0	0.0	15.0

TABLE 056

(3) Consolidation methods

Consolidation based on the purchase method

Under IFRS all business combinations are to be accounted for using the purchase method. The purchase price for the acquired subsidiary is allocated to the assets acquired and liabilities and contingent liabilities assumed. The value ratios at the date the possibility of control of the subsidiary is obtained are considered to be significant. Assets and assumed liabilities and contingent liabilities that qualify for recognition are recognized – independent of the investment amount – in full at their fair value. Intangible assets are recognized separately from goodwill if they are separable from the entity or if they result from contractual or other legal rights. Remaining differences are capitalized as goodwill and tested for impairment at least annually. Negative goodwill arising from initial consolidation is recognized in profit or loss. Costs related to an acquisition are recognized as an expense when they are incurred.

Transactions involving non-controlling interests are treated the same as transactions with shareholders. The difference between the amount paid for a non-controlling interest and the corresponding share of the carrying amount of the net assets of the subsidiary is recognized in equity. Costs arising from reductions in non-controlling interests without loss of control are also recognized in equity.

Equity method measurement

Investments in important joint ventures and associates are included in the consolidated financial statements using the equity method as from their date of acquisition or when the application requirements of IFRS 11 (Joint Arrangements) or IAS 28 (Investments in Associates) have been met. Associates are companies over which significant influence over management can be exercised and that are not subsidiaries, joint ventures or joint operations. This is typically demonstrated by a share of voting rights between 20 and 50 %.

Business combinations achieved in stages

In the case of business combinations achieved in stages, the shares of the entity being sold are purchased in stages. In other words, the control of the entity is gained in several steps. IFRS 3 is to be applied to the combination as soon as the acquirer gains control. Before control is gained, the interest is reported as investments in associates, as joint arrangements or as financial instruments – depending on which rules are relevant. The fair value of assets and liabilities including the purchased entity's goodwill is remeasured until the point control is gained with the fundamental option in the case of business combinations of recognizing either the entire goodwill (full goodwill method) or only the goodwill inferred based on the proportionate revalued net assets (purchased goodwill method). Obtaining control triggers a complete revaluation of all assets and liabilities. Any adjustments to a previously held equity interest are recognized in profit or loss once control is obtained.

Elimination of intragroup transactions

Intragroup revenues, expenses and income and all receivables, liabilities and provisions between consolidated entities are eliminated. Intercompany results included in non-current assets and inventories and arising from intragroup deliveries are eliminated.

(4) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates on the date of the transaction.

The annual financial statements are prepared in the functional currency of the respective entity. With the exception of the distributor BENEO Asia Pacific Pte. Ltd. in Singapore, which uses euros and S.Z.I.L. LTD, Kfar Saba, Israel, which uses USD, the subsidiaries' functional currency corresponds with the country currency in which the respective subsidiary has its headquarters.

When the financial statements of foreign group companies are prepared in a functional currency other than euros – Südzucker's reporting currency – translation of assets and liabilities takes place at ECB reference rates or other published reference rates at the balance sheet date (closing rate). As a general rule, the overall result is translated at the average annual rates. However, if the application of the average annual rates leads to incorrect results, translation of the affected items takes place at an adjusted average rate. The remaining income and expense items have been translated unchanged at the average annual rate. In the case of subsidiaries in hyperinflationary economies, all expenses and income are translated at the closing rate.

Movements in exchange rates of the significant currencies used in preparing the consolidated financial statements were as follows (conversion rates to € 1):

						1 € = Local Currency
		Year-end rate	Average rate	Year-end rate	Average rate	Year-end rate
Country	Currency code	29.02.2020	2019/20	28.02.2019	2018/19	28.02.2018
Egypt	EGP	17.05	18.36	19.95	20.68	21.52
Argentina	ARS	68.43	–	44.56	–	24.55
Australia	AUD	1.69	1.62	1.60	1.58	1.56
Brazil	BRL	4.92	4.48	4.27	4.36	3.96
Chile	CLP	900.24	804.97	741.43	760.29	724.80
China	CNY	7.67	7.73	7.63	7.79	7.73
United Kingdom	GBP	0.85	0.87	0.86	0.88	0.88
Mexico	MXN	21.64	21.37	21.91	22.51	22.94
Moldova	MDL	19.45	19.64	19.55	19.66	20.56
Poland	PLN	4.34	4.29	4.31	4.28	4.18
Romania	RON	4.81	4.75	4.74	4.67	4.66
Russia	RUB	73.61	71.43	75.09	75.03	68.75
Czech Republic	CZK	25.39	25.58	25.60	25.69	25.42
Ukraine	UAH	26.93	28.21	30.73	31.67	33.15
Hungary	HUF	337.57	328.05	315.96	320.22	313.93
USA	USD	1.10	1.11	1.14	1.17	1.22

TABLE 057

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 2019/20 as follows:

	Change in % of index	
	2019/20	2018/19
March	4.7	2.3
April	3.4	2.7
May	3.1	2.1
June	2.7	3.7
July	2.2	3.1
August	4.0	3.9
September	5.9	6.5
October	3.3	5.4
November	4.3	3.2
December	3.7	2.6
January	2.3	2.9
February	1.9	4.0

TABLE 058

The application of IAS 29 negatively impacted the currency translation result as a component of the other financial result of € 0.9 (1.3) 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 059

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)". Securities are generally classified as current assets since these also serve as a liquidity reserve and are thus held for trading.

Other investments

Due to lack of materiality, other investments comprise non-consolidated affiliated companies or associates and joint ventures not accounted for using the equity method. These fall within the scope of IFRS 10 (Consolidated Financial Statements) or IAS 28 (Investments in Associates and Joint Ventures). The remaining other investments are classified as "recognized at fair value through profit or loss in the income statement" ("held for trading").

Inventories

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method for raw materials, as this represents actual usage. Production cost includes all production related costs determined assuming normal levels of production capacity. In detail, it includes directly attributable costs, fixed and variable production overheads as well as depreciation of production machinery. Finance charges are not considered here. Where necessary, the lower net realizable value less costs to complete is used. Sugar is primarily produced from September to January. This is why depreciation on systems used for the campaign is predominantly applied in the third and fourth quarter of the Südzucker financial year. Any material, personnel and other operating expenses incurred in preparation for production prior to the next sugar campaign are capitalized during the financial year via changes in inventories and recognized on the balance sheet under inventories as work in progress. In the subsequent sugar production these are then taken into account when determining production costs of the sugar produced and thus recognized under inventories as part of finished goods.

Trade receivables and other financial assets

The recognized trade receivables are measured at their transaction price at the time of initial recognition and other financial assets are recognized at the market price plus transaction costs at the time of initial recognition; subsequent measurement takes place at amortized cost using the effective interest method. Adequate individual allowances are made in separate accounts for bad debts and other risks in receivables; portfolio-based allowances are also made in separate accounts for bad debts based on historical loss rates depending on how overdue the receivables are in the division concerned. The nominal value less any necessary impairment corresponds to the fair value. Attention is directed to the individual case when writing off uncollectible receivables.

CO_2 emissions rights

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 were applied regarding the relevant information on changes in provisions to be disclosed in the notes. Assessment and estimation of the provision amount takes place through factual assessment of the situation, by considering the level of the claims – including the results of comparable procedures – and by getting independent legal opinions.

Income tax

Reported income tax comprises taxes on taxable income plus changes to deferred tax assets and liabilities as applicable in the individual countries.

Current income tax

Current income tax is reported as the amount of tax expected to be payable based on the applicable or enacted legislation as of the balance sheet date.

Tax assets and liabilities

Income tax liabilities from the fiscal year just ended are reported on the balance sheet under current tax liabilities, and receivables from prepayments under current tax assets. Non-current tax liabilities primarily comprise income tax for prior year periods that have not yet been conclusively audited.

Deferred tax

Deferred tax is recognized on temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet, as well as on tax loss carryforwards, to the extent they can be offset against future taxable income. Deferred tax assets and deferred tax liabilities are recognized separately on the face of the balance sheet. Deferred tax assets have been offset against deferred tax liabilities to the extent the related taxes on income are imposed by the same tax authorities and there is a legally enforceable right to set-off. A resulting excess of deferred tax assets is only recognized to the extent that it is likely that taxable income will be available against which deferred taxes can be offset. Individual companies forecast the recoverability of deferred tax assets, among other things, based on the future earnings situation at the respective group company.

Deferred tax liabilities that arise as a result of temporary differences in connection with investments in subsidiaries and companies consolidated at equity are recognized unless the timing of the reversal of the temporary differences can be controlled by the group and it is likely that the temporary differences will not reverse as a result of this controlling influence within the foreseeable future.

Deferred tax is calculated according to IAS 12 (Income Taxes), taking into consideration the respective applicable national income tax rates or those that have been substantively enacted as of the balance sheet date and that are expected to apply when the related deferred income tax asset is recognized or the deferred tax liability is settled. Deferred tax assets and liabilities associated with earnings and expenses directly recognized in shareholders' equity are treated identically.

Trade payables and other financial liabilities

Non-current and current financial liabilities are initially measured at market value less transaction costs and subsequently measured at amortized cost.

Financial liabilities

Financial liabilities for bonds issued are shown net of their issue discount and transaction costs. Unwinding of the discount takes place using the effective interest method.

Derivative financial instruments

Derivative financial instruments are recognized as assets or liabilities and measured – independent of their purpose – at fair value. Changes to this value are recognized in profit or loss unless the derivatives are in a hedging relationship with a hedged item. In this case, recognition of the changes in fair value is based on the nature of the hedge. Initial recognition is on the trading day.

Fair value hedges are used to hedge the exposure of recognized assets or liabilities to changes in the fair value. Here, changes in the fair values of both the hedges and the associated hedged items are recognized in the income statement. If the hedged items and hedges are already measured as primary instruments at their fair values, the application of the special rules for fair value hedge accounting can be waived to achieve the fair value hedge.

Cash flow hedges are used to hedge the exposure to variability in future cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. When there is a cash flow hedge, the unrealized gains and losses of the hedge transaction – if effective – are initially recognized in other comprehensive income. They are not transferred to the income statement until the hedged item is recognized in profit or loss. If the transactions lead 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, making it possible to omit the disclosure of only short-term remaining performance obligations.

Judgments, assumptions and estimates

The preparation of the consolidated financial statements under IFRS requires that judgments, assumptions and estimates be made. These management assessments can impact the valuation of the assets and liabilities recognized, the income and expenses, and the disclosure of contingent liabilities.

Certain contracts require an assessment whether they should be treated as derivatives or as so-called own-use contracts and be accounted for as executory contracts.

With regard to provisions for pensions and similar obligations, the discount rate is one of the important factors. The discount rate for pension obligations is determined by reference to market yields observable at the balance sheet date on high-quality, fixed-rate corporate bonds, making analytically derived assumptions about the age at entry into the pension benefits, life expectancy, staff turnover rates and future wage and pension increases. Please see the sensitivity analysis disclosures under note (27) "Provisions for pensions and similar obligations" for information on the impact of changes to individual actuarial assumptions on the amount of the defined benefit pension obligations. Assumptions and estimates are also related to the accounting and measurement of other provisions.

Uncertainties may arise in the accounting of provisions or the disclosure of contingent liabilities because it is necessary – especially in connection with pending or potential legal disputes – to make estimates and assumptions, e.g. about the probability of the outcome of proceedings as well as the use of provisions and thus the determination of maturity. In the recognition of liabilities – to a lesser extent, however, than in the accounting of provisions – there can be uncertainties with respect to the reason and amount of the payment obligation and the measurement of manufacturing costs, e.g. for the beet payment and the derivation of sugar revenue-dependent beet costs at the balance sheet date.

The recoverability of goodwill is assessed based on forecasts for the cash flows of cash generating units for the next five years using a discount rate adjusted for the business risks.

The determination of the useful life of the depreciable fixed asset, the net selling price of the inventories and the fair value of intangible assets, property, plant and equipment and liabilities acquired in business combinations is also based on estimates.

Deferred tax assets are recognized to the extent that the recoverability of future tax benefits is probable. The actual tax result situation of subsequent periods and therefore the actual utility of deferred tax assets can vary from the assessment at the time of recognition of the deferred taxes. Income tax can be subject to uncertainties with regard to the probability and amount of the expected tax payment or refund. This requires the company to make an estimate.

Further explanatory notes on the underlying assumptions and estimates made for these consolidated financial statements are given in the disclosures on individual items in the financial statements.

All assumptions and estimates are based on the circumstances and assessments at the balance sheet date. In assessing the expected business development, the future economic environments in which the group will operate, and which are assumed to be realistic at the balance sheet date were also considered. The actual amounts may vary from the estimates should the conditions develop counter to our assumptions. If this is the case, the assumptions are adjusted and, where necessary, the carrying amounts of the affected assets and liabilities as well.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(6) Revenues

Third-party revenues from contracts with customers are broken down below – recognized based on date – according to the four segments and the delivery destinations:

€ million	Sugar	Special products	CropEnergies	Fruit	Group
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
United Kingdom	34.2	363.8	200.2	21.7	619.9
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 (incl. United Kingdom)	2,088.5	1,653.8	772.9	488.7	5,003.9
Other countries	168.7	755.6	46.1	696.4	1,666.8
Total	**2,257.2**	**2,409.4**	**819.0**	**1,185.1**	**6,670.7**
2018/19					
Germany	740.6	452.0	247.0	141.5	1,581.1
Belgium	188.5	58.1	64.3	77.5	388.4
France	320.3	84.2	49.6	99.4	553.5
United Kingdom	54.0	345.8	151.6	31.8	583.2
Austria	167.5	238.3	0.7	39.6	446.1
Poland	160.4	41.7	21.6	29.1	252.8
Other EU	646.8	383.2	133.9	103.9	1,267.8
EU (incl. United Kingdom)	2,278.1	1,603.3	668.7	522.8	5,072.9
Other countries	310.2	690.5	24.4	656.1	1,681.2
Total	**2,588.3**	**2,293.8**	**693.1**	**1,178.9**	**6,754.1**

TABLE 060

Although the United Kingdom left the EU on 31 January 2020, revenues in the United Kingdom are still fully recognized within the EU because the UK remained a member of the EU for 11 months.

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

€ million	2019/20	2018/19
Change in work in progress and finished goods inventories		
Sugar	135.4	−203.9
Special products	22.0	26.2
CropEnergies	−8.4	4.0
Fruit	25.5	−20.3
	174.5	**−194.0**
Internal costs capitalized	5.9	5.5
	180.4	**−188.5**

TABLE 061

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	2019/20	2018/19
Foreign exchange and currency translation gains	23.8	23.2
Gain on sales of current and non-current assets	2.9	5.3
Income from derivatives	1.8	2.8
Reversal of bad debt allowances	5.2	2.3
Income from special items	13.9	22.9
Other income	65.6	66.3
	113.2	**122.8**

TABLE 062

Other income in the amount of € 65.6 (66.3) 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 € 13.9 (22.9) million included in particular income from the sale of properties. In the previous year this item included, among other things, income from the reversal of a provision created in 2016/17 for tax risks in Germany related to spirits in the CropEnergies segment after the respective proceedings were successfully concluded in fiscal 2018/19.

(9) Cost of materials

€ million	2019/20	2018/19
Cost of raw materials, consumables and supplies and of purchased merchandise	4,242.1	4,057.0
Cost of purchased services	385.9	403.4
	4,628.0	**4,460.4**

TABLE 063

Green Certificates issued by the government at the Wanze plant in Belgium based on actual 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.

The process for new applications for Green Certificate funding is currently being amended in line with changes to Belgian laws. This makes it clear that the reduction of greenhouse gas emissions, by using renewable energies, for example, continues to be a high and ever-increasing priority in Belgium. Because details about the rules regarding implementation of the new law are not yet available, CropEnergies cannot currently make concrete statements about what impact if any the new rules after 2024 may have on subsequent funding.

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 € 26.5 (23.0) million in total; the majority of these were for the Belgian location in Wanze.

(10) Personnel expenses

€ million	2019/20	2018/19
Wages and salaries	767.2	770.0
Contributions to statutory old-age insurance	51.3	51.5
Social security, pension and welfare expenses	159.9	153.9
	978.4	**975.4**

TABLE 064

Of the total personnel expenses in the amount of € 978.4 (975.4) million, € 2.9 (33.6) 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 planned capacity adjustments in the sugar segment.

Number of employees at balance sheet date and quarterly average (full-time equivalents)

	29 February 2020	2019/20 quarterly average	28 February 2019	2018/19 quarterly average
Sugar segment	6,597	7,156	6,950	7,378
Special products segment	6,017	6,053	6,033	5,866
CropEnergies segment	450	444	433	421
Fruit segment	6,124	6,070	5,803	5,944
Group	**19,188**	**19,723**	**19,219**	**19,610**

TABLE 065

The number of employees within the Group as of 29 February 2020 was 19,188 (19,219), thus matching the previous year's level. The sugar segment recorded a decrease of 353 employees as a result of the factory closures in Germany, France and Poland and the temporary closure of the plant in Moldova. In contrast, the number of employees in the fruit segment rose by 321. The higher average number of employees is mainly the result of additional employment during the year for campaigns and harvesting operations, especially in the fruit segment.

(11) Depreciation

€ million	2019/20	2018/19
Intangible assets	25.3	24.6
Fixed assets	334.6	300.6
Depreciation and amortization	**359.9**	**325.2**
Intangible assets	0.0	673.9
Fixed assets	4.2	109.5
Impairment losses including special items	**4.2**	**783.4**
Income from reversal of impairment losses	**−0.2**	**0.0**
Net depreciation	**363.9**	**1,108.6**
thereof operating result	361.9	326.2
thereof result from restructuring / special items	2.0	782.4
Net depreciation	**363.9**	**1,108.6**
Impairment according to segments		
Sugar	3.8	732.0
Special products	0.0	50.8
CropEnergies	0.0	0.0
Fruit	0.4	0.6
Total	**4.2**	**783.4**

TABLE 066

Depreciation in the sugar segment of € 3.8 million resulted from the temporary shutdown of a Moldavian sugar factory, among other things. In the fruit segment depreciation of € 0.4 million resulted in conjunction with the closure of a Serbian location.

During the previous year, a review of the recoverability of goodwill of the cash generating unit (CGU) sugar resulted in an impairment of € 673.1 million. € 58.9 million of the impairments to fixed assets totaling € 109,5 million was attributable to the sugar segment. They primarily affected the envisaged capacity adjustment by an average annual sugar production of around 700,000 t in total and the associated closure of a total of five sugar factories in Germany (Brottewitz and Warburg), France (Cagny and Eppeville) and Poland (Strzyzow). Impairments to the carrying amounts of fixed assets of the starch factory at the location in Zeitz were also necessary in the special products segment; of the € 50.8 million in impairments needed, € 50.7 million was attributable to Zeitz.

(12) Other operating expenses

€ million	2019/20	2018/19
Selling and advertising expenses	414.7	441.8
Operating and administrative expenses	284.3	286.8
Advertising expenses	30.0	33.2
Expenses due to restructuring / special items	28.4	13.4
Expenses from lease and service agreements	38.5	57.6
Losses on disposals of current and non-current assets	3.5	3.9
Bad debt allowances	3.9	2.1
Foreign exchange and currency translation losses	23.4	16.4
Expense from derivatives	4.2	4.6
Other taxes	29.7	24.7
Other expenses	36.5	42.3
	897.1	**926.8**

TABLE 067

Operating and administrative expenses in the amount of € 284.3 (286.8) million comprise items such as office, communication and travel expenses, consulting fees, fees and contributions, insurance premiums, employee training, employee benefits and outsourced maintenance and repair services.

Expenses from restructuring and special items of € 28.4 (13.4) million in the current year related in particular to charges arising from the strike at the Cagny plant in France and, in the previous year, to risk provisions for long-term logistics contracts in the sugar segment in the light of the planned capacity reduction.

Other taxes in the amount of € 29.7 (24.7) million comprise taxes on income and property, excise tax and transport taxes. Other operating expenses totaling € 36.5 (42.3) 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 € –48.9 (22.1) million includes the share of earnings from the joint ventures of Hungrana Group, AGRANA Studen Group, CT Biocarbonic GmbH, Maxi S.r.l. and Collaborative Packing Solutions (Pty) Ltd (until 30 November 2019) and 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 (2) “Companies included in consolidation” in connection with the disclosures on companies consolidated at equity.

(14) Result from operations

€ million	2019/20	2018/19
Result from operations	**48.0**	**−760.7**
thereof operating result	116.4	27.3
thereof result from restructuring / special items	−19.5	−810.1
thereof result from companies consolidated at equity	−48.9	22.1

TABLE 068

The breakdown of the result from operations and its components is found in the chart segment reporting.

(15) Financial income and expense

€ million	2019/20	2018/19
Interest income	13.4	16.2
Interest expense	−41.0	−38.2
Interest income and expense, net	**−27.6**	**−22.0**
Other financial income	35.0	28.3
Other financial expense	−46.5	−29.5
Other financial income and expense, net	**−11.5**	**−1.2**
Financial expense, net	**−39.1**	**−23.2**
thereof financial income	48.5	44.5
thereof financial expense	−87.6	−67.7

TABLE 069

The net interest expense increased to € –27.6 (–22.0) million. The net interest expense also contains the net expense from compounding the provisions for pensions and similar obligations totaling € 15.6 (16.5) million and the expense from compounding other non-current provisions and liabilities of € 0.8 (0.9) million and from compounding leasing liabilities of € 3.5 (0.0) million.

The other financial result amounted to € –11.5 (–1.2) million. A negative currency result of € –8.5 (–4.8) million weighed on this and was primarily attributable to the weakening of the Argentine and Chilean peso. Argentina has been considered hyperinflationary since mid-2018 and thus requirements of IAS 29 (Financial Reporting in Hyperinflationary Economies) have applied accordingly since the third quarter of 2018/19; this increased currency losses by € 0.9 (1.3) million. In addition, the other financial result includes expenses from the impairment of a sugar investment and from the reversal of provisions for income tax-related fringe benefits.

(16) Taxes on income

The tax expense of € 63.4 (21.4) million is comprised of current taxes paid or payable and deferred tax expense / income as follows:

€ million	2019/20	2018/19
Current taxes	73.0	49.3
Deferred taxes	−9.6	−27.9
Taxes in income	**63.4**	**21.4**

TABLE 070

The unchanged projected theoretical tax expense of 29.1 % for fiscal 2019/20 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	2019/20	2018/19
Earnings before taxes on income	8.9	−783.9
Theoretical tax rate	29.1 %	29.1 %
Theoretical tax expense (+)	**2.6**	**−228.3**
Change in theoretical tax expense as a result of:		
Different tax rates	−7.9	6.6
Tax reduction for tax-free income	8.4	−14.7
Tax increase for non-deductible expenses	15.5	208.0
Tax effects from prior periods	−3.6	−27.0
Tax effects from the recognition and measurement of capitalized losses carried forward and temporary differences	43.7	74.3
Other	4.7	2.5
Taxes on income	**63.4**	**21.4**
Effective tax rate	**–**	**–**

TABLE 071

Following earnings before income taxes of € 8.9 (−783.9) million, taxes on income were € 63.4 (21.4) million.

In the previous financial year, the item “tax increase for non-deductible expenses” included predominantly effects from the impairment of goodwill in the sugar segment that were non-deductible.

In the current 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 largely no recognition of deferred taxes this year.

Deferred tax is the result from temporary differences between tax accounting measures and the assets and liabilities recognized as set out in IFRS as well as from tax loss carryforwards. Active deferred taxes are being 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 € 57.6 (44.6) million were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 313.1 (225.5) 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 € 305.8 (216.2) million do not expire; of the remaining amount totaling € 7.3 (9.3) million, a large share will expire within a period of up to seven years. An impairment loss in the amount of € 0.0 (5.5) million was recognized on loss carryforwards for deferred tax assets recognized in previous years.

No deferred tax liabilities were recognized in relation to investments in subsidiaries totaling € 52.8 (60.2) million, since such gains are intended to be reinvested indefinitely and a reversal of these differences is thus not anticipated.

Deferred taxes increased income and expenses recognized directly in equity by € 4.9 million during the reporting period following a reduction of € 20.4 million last year. Key influencing factors here were deferred tax assets from the remeasurement of defined benefit pension commitments and similar obligations recognized directly in equity, which led to an increase in equity by € 7.3 million and a reduction of € 20.6 million in the previous year. In addition, € 5.3 (5.4) million in income tax was recognized directly in equity.

Deferred tax assets and liabilities relate to temporary differences in the following items on the balance sheet:

€ million	Deferred tax assets		Deferred tax liabilities	
28/29 February	2020	2019	2020	2019
Fixed assets and intangible assets	9.1	9.2	215.0	207.4
Inventories	12.0	9.5	31.5	26.1
Other assets	2.5	4.4	8.7	5.1
Tax-free reserves	0.0	0.3	34.4	30.7
Provisions	112.0	105.2	8.8	7.6
Liabilities	35.7	23.3	2.2	3.8
Tax loss carry forwards	57.6	44.6	0.0	0.0
	228.9	**196.5**	**300.6**	**280.7**
Offsets	−154.5	−122.0	−154.5	−122.0
Balance sheet	**74.4**	**74.5**	**146.1**	**158.7**
thereof non-current	**46.9**	**41.3**	**125.0**	**132.0**

TABLE 072

Current tax assets reported as at 29 February 2020 decreased slightly to € 28.3 (31.0) million and comprise mainly tax prepayments.

Non-current tax liabilities in the amount of € 13.3 (22.6) million primarily comprise income taxes for prior year periods that have not yet been conclusively audited.

Current tax liabilities of € 15.2 (18.0) million relate to income tax liabilities from the financial year just ended and back duties still expected from previous years.

(17) Research and development costs

Research and development activities are outlined in the group management report. Research and development work was carried out by some 453 (456) staff. Research and development costs amounted to € 46.3 (44.9) million and were fully recognized as an expense.

(18) Earnings per share

€ million	2019/20	2018/19
Net earnings of the year	**−54.5**	**−805.3**
of which attributable to shareholders of Südzucker AG	−121.5	−844.3
Time-weighted average number of shares outstanding	204,183,292	204,183,292
Earnings in € per share [1]	**−0.60**	**−4.14**

[1] Undiluted / diluted.

TABLE 073

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 € −0.60 (−4.14). In the previous year, this item included in particular the impairment of goodwill in the sugar segment of € −673.1 million or € −3.30 per share. Earnings per share were not diluted.

(19) Other comprehensive income

Other comprehensive income totaling € −168.9 (−47.4) million includes income and expenses recognized directly in equity of Südzucker shareholders and other non-controlling interests.

The income and expenses of € −9.5 (14.3) million to be recognized in the income statement in the future include the market value measurement of securities (cash flow hedge) and the market value measurement of debt instruments as well as foreign currency translation from net investments in foreign subsidiaries, effects of consolidation-related foreign currency translation and the share from companies consolidated at equity.

Foreign currency differences from consolidation of € −25.2 (−1.7) million are largely attributable to the weaker Argentine and Chilean peso, the Polish zloty and the Hungarian forintl compared to a stronger US dollar and Ukranian hrywnja. Last year foreign currency differences were attributable in particular to the weaker US dollar, Argentine and Chilean peso, compared to a stronger Polish zloty and Czech koruna.

The amounts not to be recognized in the income statement in the future primarily relate to the remeasurement of defined benefit pension plans and similar obligations in the amount of € −159.4 (−62.8) million. The alignment of the discount rate from 1.95 % as at 28 February 2019 to 1.00 % for material pension plans effective 29 February 2020 led to a negative impact on equity during the reporting year. Last year in particular changes to the discount rate and the adoption of demographic assumptions (among others the first-time application of the Heubeck-Richttafeln 2018 G for German plans) burdened equity.

CASH FLOW STATEMENT

(20) Notes to the cash flow statement

Increase (+) / Decrease (–) in operating activities

The cash inflow (+) / outflow (–) from operating activities is divided into two key blocks for reasons of transparency. The main purpose of this is to ensure sustainable cash flow from operating activities for the medium term and to isolate the large seasonal fluctuations of working capital throughout the quarters. The latter is a special feature of the Südzucker business model with campaign operations existing in different segments (e.g. sugar).

Cash flow
Cash flow reached € 372.2 million compared to € 377.1 million the year prior.

The recognized cash flow comprises net earnings, depreciation of non-current assets, the change in accounting for non-current provisions, (deferred) tax liabilities and deferred tax assets as well as other non-cash income and expenses, essentially comprising the at-equity-results booked as non-cash.

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 2019/20 financial year corresponded to 5.6 (5.6) % of the group's consolidated revenues.

Change in working capital
The cash outflow from the increase in working capital was € 217.2 (113.4) million and resulted from a price-related increase of inventories in the sugar segment and a decrease in current provisions, which was partly offset by rising trade payables.

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 € 335.3 (378.7) million. In the sugar segment, investments totaling € 104.0 (144.8) million were again mainly allocated toward replacement spending and investments in the electronics and automation sector, improvements in logistics and the compliance with legal and regulatory requirements. In the special products segment, new production capacities of € 149.5 (164.5) million were mainly generated in the starch division. At BENEO and Freiberger, production facilities were expanded and optimized. The CropEnergies segment invested € 29.9 (13.2) million to replace production facilities, to increase their capacity or to improve their efficiency. Investments of € 51.9 (56.2) 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 € 12.6 (15.3) million primarily related to the founding of the 50 % joint venture Beta Pura GmbH, Vienna, Austria, as well as the acquisition of a 3.5 % stake in DouxMatok Ltd., Petcha-Tikva, Israel, and a 10 % stake in Skiwater Beverages GmbH, Innsbruck, Austria. In addition, the existing investment of 40 % in Collaborative Packing Solutions [Pty] Ltd, Johannesburg, South Africa, was increased to 75 %.

Last year investments in financial assets were largely attributable to the acquisition of 100 % of the shares in Hungarian fruit juice concentrates producer Brix Trade Kft., Nagykálló, the acquisition of a 49 % stake in the Algerian fruit preparations producer SPA AGRANA Fruit Algeria (formerly: Elafruits SPA) and the acquisition of a 100 % stake in the British portion pack producer CustomPack Ltd, Telford.

Decrease (–) / Increase (+) from financing activities

Increases / decreases in stakes and capital increase / redemption

The cash outflows from increases in stakes totaling € 0.0 (–0.4) million and cash inflows from decreases / increases in stakes totaling € 0.0 (2.5) million related the previous year to share purchases or sales of still fully consolidated subsidiaries.

Dividends paid

Dividends paid throughout the group in the financial year just ended totaled € 101.9 (160.7) million and included € 40.8 (91.9) million paid out to Südzucker AG's shareholders and € 61.1 (68.8) million to minority interests.

Financing and repayment of financing

In fiscal 2019/20 commercial papers were issued in the amount of € 100.0 (230.0) million and € 202.7 (222.8) million in bank credit lines were drawn primarily for short-term seasonal financing. Last year, the 2011/2018 bond with a coupon of 4.125 % and a volume of € 400 million was repaid in March 2018.

The repayment from leasing liabilities amounted to € 31.2 million. In addition, payments of € 6.8 million were made for short-term and low-value rental agreements, but no variable payments.

Income taxes paid, interest payments and dividends received

Income taxes paid

The balance of income taxes paid amounted to € 77.6 (74.9) 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
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**

€ million	Goodwill	Concessions, industrial and similar rights	Total
2018/19			
Acquisition costs			
1 March 2018	1,978.3	453.5	2,431.8
Change in companies incl. in the consolidation and other changes	2.8	0.1	2.9
Changes due to currency translation	11.0	14.4	25.4
Additions	0.0	10.1	10.1
Transfers	0.0	2.7	2.7
Disposals	0.0	−3.9	−3.9
28 February 2019	1,992.1	476.9	2,469.0
Amortization and impairment losses			
1 March 2018	−588.8	−183.8	−772.6
Change in companies incl. in the consolidation and other changes	0.0	0.1	0.1
Changes due to currency translation	0.0	−0.9	−0.9
Amortization for the year	0.0	−24.6	−24.6
Impairment losses	−673.1	−0.8	−673.9
Transfers	0.0	−0.1	−0.1
Disposals	0.0	3.7	3.7
Reversals of impairment losses	0.0	0.0	0.0
28 February 2019	−1,261.9	−206.4	−1,468.3
Net carrying amount 28 February 2019	**730.2**	**270.5**	**1,000.7**

TABLE 074

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 (6.5) % and the applicable business risk for Südzucker derived from capital market data. The cost of equity derived in this way is individualized for each CGU by considering the respective country risks and business risks.

The current imputed refinancing costs for bonds and hybrid capital as well as the interest rate for pension obligations are used in the calculation of borrowing costs. The risk premium (credit spread) takes into account Südzucker's long-term rating of currently Baa3 (Moody's) and BBB- (S&P).

We have assumed a growth rate to perpetuity of 0.5 (0.9) % 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 2019. The cost of capital before tax reflects the lower interest rate from German Government Bonds compared to the prior year. In consideration of the ECB inflation expectations, which significantly influences the anticipated growth rate, an increase is expected in the medium term.

€ million	Goodwill		Weight average cost of capital	
28/29 February	2020	2019	2019/20	2018/19
CGU Sugar	107.0	107.0	6.5 %	7.2 %
CGU Freiberger	376.2	369.0	5.3 %	5.6 %
CGU BENEO	84.9	84.9	6.5 %	6.6 %
CGU PortionPack	43.8	41.7	5.8 %	6.1 %
CGU Fruit	127.6	127.6	6.8 %	6.9 %
	739.5	**730.2**	–	–

TABLE 075

In fiscal 2019/20, 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. At the measurement date the values in use of all CGUs, with the exception of the sugar CGU, were significantly higher than the carrying amounts of goodwill. As a result of these surpluses occurring in all CGUs, 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.

The most important planning assumptions for the sugar CGU are the projections based on estimates for EU beet sugar and isoglucose production volumes, the development of sugar imports and exports, and sugar prices. The main cost factors of the CGU are commodity and energy costs. In addition to current market developments, these estimates take into account the respective departments' own assessments.

Based on the assumptions of the impairment test conducted on 31 August 2019, we performed a review on 29 February 2020 to account for possible implications resulting from the Corona crisis. Since we do not see any long-term negative effects on our operating activities on the date of financial statement preparation on 22 April 2020, the effects of the Corona crisis are limited to the first planning year of the determination of the value. Possible impacts from the Corona crisis have been accounted for with discounts to planned cash inflows in financial year 2020/21.

Similarly, in the sugar CGU, this would not result in an impairment of the carrying amount of goodwill.

(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
2019/20					
Acquisition costs					
1 March 2019	2,128.2	5,421.7	478.4	183.2	8,211.5
Change in companies incl. in the consolidation and other changes	0.1	0.3	−0.2	0.0	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	2,159.4	5,504.3	495.3	243.4	8,402.4
Amortization 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 of 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 of 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	**1,138.9**	**1,535.8**	**142.5**	**243.5**	**3,060.7**

TABLE 076

The investments are reduced by government grants totaling € 0.0 (1.9) million. As in the previous year, no borrowing costs were recognized.

Exchange-related differences in the amount of € −26.5 million in the 2019/20 financial year were primarily due to the weaker Argentine and Chilean peso, Polish zloty and Hungarian forint compared to a stronger US dollar and Ukrainian hrywnja. The prior year's exchange-related differences in the amount of € 2.3 million were largely attributable to the weaker Polish zloty, Argentine and Chilean peso compared to a stronger US dollar and British pound.

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 are € 38.3 million, € 31.2 million of which come from fixed and € 0.3 million of which result from variable payments, as well as € 6.8 million from the costs of short-term and low value leases.

The weighted average incremental borrowing rate as of 1st March 2019 and 29 February 2020 for the recognition of leasing liabilities was 2.5 % and 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
2018/19					
Acquisition costs					
1 March 2018	2,085.2	5,291.0	455.6	112.6	7,944.4
Change in companies incl. in the consolidation and other changes	3.0	7.7	3.6	0.0	14.3
Changes due to currency translation	−4.9	−3.0	−0.4	0.5	−7.8
Additions	41.9	144.1	30.7	151.8	368.5
Transfers	17.7	53.2	7.6	−81.2	−2.7
Disposals	−14.7	−71.3	−18.7	−0.5	−105.2
28 February 2019	2,128.2	5,421.7	478.4	183.2	8,211.5
Amortization and impairment losses					
1 March 2018	−988.4	−3,626.2	−333.6	−0.4	−4,948.6
Change in companies incl. in the consolidation and other changes	−1.4	−2.3	−2.0	0.0	−5.7
Changes due to currency translation	2.1	3.1	0.3	0.0	5.5
Depreciation of the year	−53.5	−215.1	−32.0	0.0	−300.6
Impairment losses including special items	−33.6	−75.0	−0.9	0.0	−109.5
Transfers	0.1	2.1	−2.1	0.0	0.1
Disposals	11.5	68.8	17.8	0.0	98.1
Reversals of impairment losses	0.0	0.0	0.0	0.0	0.0
28 February 2019	−1,063.2	−3,844.6	−352.5	−0.4	−5,260.7
Net carrying amount 28 February 2019	**1,065.0**	**1,577.1**	**125.9**	**182.8**	**2,950.8**

TABLE 077

(23) Shares in companies consolidated at equity, other investments

Shares in companies consolidated at equity

€ million	2019/20	2018/19
1 March	**389.9**	**370.3**
Change in companies incl. in the consolidation and other changes	−25.9	−4.1
Changes due to currency translation	6.0	18.5
Additions	8.0	0.0
Share of profits	−48.9	22.1
Transfers	0.0	0.0
Disposals / dividends	−16.3	−16.9
Impairment losses including special items	0.0	0.0
Reversals of impairment losses	0.0	0.0
28/29 February	**312.8**	**389.9**

TABLE 078

The companies consolidated at equity comprise the stakes in ED&F Man Holdings Limited, London, United Kingdom, AGRANA Studen Group, Vienna, Austria, and the sales joint venture Maxi S.r.l., Bolzano, Italy in the sugar segment, the stake in Hungrana Group, Szabadegyháza, Hungary and Collaborative Packing Solutions (Pty) Ltd, Johannesburg, South Africa (until 30 November 2019), in the special products segment, and the stake in CT Biocarbonic GmbH, Zeitz in the CropEnergies segment.

Other investments of € 20.1 (23.1) million comprise also subsidiaries, joint ventures and associated companies that are not included in consolidation due to their relative insignificance.

(24) Inventories

€ million 28/29 February	2020	2019
Raw materials and supplies	480.1	457.8
Work in progress and finished goods		
Sugar segment	1,144.1	1,008.3
Special products segment	284.7	267.0
CropEnergies segment	40.7	49.2
Fruit segment	161.4	132.1
Total of work in progress and finished goods	1,630.9	1,456.6
Merchandise	65.1	62.6
	2,176.1	**1,977.0**

TABLE 079

At € 2,176.1 (1,977.0) million, inventories were up € 199.1 million on the previous year's figure, which was due in particular to a price-related increase in the value of inventories and a slight decline in the volume of stocks in the sugar segment. Raw materials, consumables and supplies totaling € 480.1 (457.8) million included the payment of a raw material security premium for beets for the upcoming 2020 campaign and, in the previous year, for the 2019 campaign; payment was made in the second quarter of each fiscal year. The expense of the raw material security premiums is recognized when the beet for the respective campaign is processed.

Write-downs in the amount of € 19.3 million were required on inventories in the sugar segment as at 29 February 2020 and were largely attributable to lower net disposal proceeds. Write-downs as at 28 February 2019 had the opposite effect on the lower net disposal proceeds of € 62.8 million, which were realized from sales in the 2019/20 fiscal year.

In addition, write-downs totaling € 2.3 (0.5) million were necessary in the special products segment and € 1,8 (0.7) million in the fruit segment.

Write-downs of net disposal proceeds in the sugar segment totaling € 0.2 (1.9) million were also necessary on merchandise inventories as at 29 February 2020. In the special products segment, write-downs of 0.1 (0.0) were necessary.

(25) Trade receivables and other assets

€ million		Remaining term			Remaining term	
28/29 February	2020	to 1 year	over 1 year	2019	to 1 year	over 1 year
Trade receivables	978.2	978.2	0.0	972.7	972.7	0.0
Receivables due from the EU	**0.1**	0.1	0.0	**0.5**	0.5	0.0
Positive market value derivatives	**11.6**	11.6	0.0	**6.3**	6.3	0.0
Remaining financial assets	**52.9**	40.5	12.4	**52.4**	39.5	12.9
Other financial assets	**64.6**	52.2	12.4	**59.2**	46.3	12.9
Other taxes recoverable	**146.8**	146.8	0.0	**161.3**	161.3	0.0
Remaining non-financial assets	**67.0**	64.7	2.3	**49.2**	49.2	0.0
Non-financial assets	**213.8**	211.5	2.3	**210.5**	210.5	0.0
Other assets	**278.4**	**263.7**	**14.7**	**269.7**	**256.8**	**12.9**

TABLE 080

At € 978.2 (972.7) million, trade receivables were at the same level as a year earlier.

Remaining financial assets totaling € 52.9 (52.4) million primarily concern financial receivables from non-consolidated companies, investments and employees, and other third parties.

Remaining non-financial assets of € 67.0 (49.2) 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	2020	2019
Total trade receivables	992.2	989.7
Value adjusted	−14.0	−17.0
Net carrying amount	**978.2**	**972.7**

TABLE 081

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).

Impairments recognized for expected future credit losses are calculated based on historical loss rates depending on how overdue the trade receivables are, by affected division. (Portfolio-based impairment). Where relevant, the expected future loss development is also considered. An additional portfolio-based impairment of € 0.5 (0.7) million is necessary as a result.

Overall, bad debt allowances on trade receivables developed as follows:

€ million	2019/20	2018/19
1 March	**17.0**	**50.7**
Change in companies incl. in the consolidation / currency translation / other changes	−0.1	0.1
Additions	3.9	2.1
Use	−1.6	−33.6
Reversal	−5.2	−2.3
28/29 February	**14.0**	**17.0**

TABLE 082

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 € 978.2 (972.7) million; € 893.6 (893.7) million of this amount was not yet due. The aging structure of past-due receivables as well as the loss rates used for determining portfolio-based impairment are as follows:

28/29 February	2020		2019	
	€ million	Default rate	€ million	Default rate
Receivables not past due before allowances	893.6	< 0.1%	893.7	< 0.1%
Past-due receivables without specific-debt allowances	84.6	–	79.0	–
of which up to 30 days	61.1	0.3 %	53.1	0.4 %
of which 31 to 90 days	15.7	0.9 %	11.3	0.9 %
of which over 90 days	7.8	–	14.6	–
Net carrying amount	**978.2**		**972.7**	
Portfolio-based value adjustments	0.5		0,7	
Receivables including specific-debt allowances	13.5		16.3	
Total trade receivables (gross)	**992.2**		**989.7**	

TABLE 083

Südzucker mitigates default risks on accounts receivables by constantly monitoring the creditworthi-ness 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 subject to individual allowances; these receivables are also included in Südzucker Group’s trade credit insurance program.

(26) Shareholders’ equity

Subscribed capital

As of 29 February 2020, the issued subscribed capital amounts to unchanged € 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 € 891.4 (888.6) million are attributable to the minority interest in the subgroup AGRANA in the amount of € 723,1 (736.6) million and mainly to the minority interest in the subgroup CropEnergies in the amount of € 168.3 (152.0) million.

Name of parent company from subgroup	Country	SZ share in %	Minority share in %	Business area
AGRANA Beteiligungs-AG	Vienna, Austria	41.9	58.1	Sugar, starch, fruit
CropEnergies AG	Mannheim, Germany	69.2	30.8	Ethanol

TABLE 084

Südzucker holds a 41.9 % stake in AGRANA Beteiligungs-AG; 39.2 % indirectly via Z&S Zucker and Stärke Holding AG and 2.7 % directly. Z&S Zucker und Stärke Holding AG is a 100 % subsidiary of AGRANA Zucker, Stärke und Frucht Holding AG. In addition to Südzucker, Zucker-Beteiligungsgesellschaft m.b.H. holds a 50 % stake minus one share in AGRANA Zucker, Stärke und Frucht Holding AG. The Austrian AGRANA co-owners (among others, Raiffeisen-Holding Niederösterreich-Wien and representatives of Austrian beet producers) have consolidated interests in Zucker-Beteiligungsgesellschaft m.b.H. The details of the collaboration between Südzucker and Zucker-Beteiligungsgesellschaft m.b.H. are governed by a syndicate agreement, which grants Südzucker a right at any time to a majority of the voting rights in AGRANA Zucker, Stärke und Frucht Holding AG and thus to a controlling influence over subgroup AGRANA. Upon exercising the voting majority by Südzucker, Zucker-Beteiligungsgesellschafts m.b.H. is granted property rights defined by contract; in this case, the company is also entitled – subject to a minimum one-year period – to establish an equality of votes among the syndicate partners.

An overview of the financial position and performance of the two subgroups AGRANA and CropEnergies is provided below:

28/29 February	2020		2019	
€ million	AGRANA	CropEnergies	AGRANA	CropEnergies
Non-current assets	1,331.9	384.7	1,252.1	382.7
Current assets	1,217.5	284.9	1,137.3	203.0
Total assets	**2,549.4**	**669.6**	**2,389.4**	**585.7**
Non-current liabilities	565.3	65.5	393.0	48.5
Current liabilities	597.0	101.2	586.5	88.5
Total liabilities	**1,162.3**	**166.7**	**979.5**	**137.0**
Net assets	**1,387.1**	**502.9**	**1,409.9**	**448.7**
Revenues	2,480.7	899.2	2,443.0	778.6
Result from operations	87.1	104.1	66.6	43.1
Earnings before income taxes	69.9	100.7	51.2	42.5
Taxes on income	−18.6	−26.1	−20.8	−21.2
Net earnings	**51.3**	**74.6**	**30.4**	**21.3**
Income and expenses recognized in other comprehensive income	−10.7	−7.3	−2.1	−0.9
Comprehensive income	**40.6**	**67.3**	**28.3**	**20.4**
Dividend payment in fiscal year	63.2	13.1	71.5	21.8
thereof attributable to other minority interest outside the Südzucker Group	37.0	4.0	42.0	6.7

TABLE 085

The data correspond to the published consolidated financial statements of the respective subgroups. More detailed information is available in the current 2019/20 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 contribu-tions, either based on statutory or contractual requirements or on a voluntary basis, to state or private insurers. Current contributions are included as personnel expenses in the income statement and amounted to € 51.3 (51.5) 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	2020	2019
Defined benefit obligation for direct pension benefits	1,131.3	955.3
Fair value of plans assets	−129.5	−123.7
Provision for pensions and similar obligations (net defined benefit obligation)	**1,001.8**	**831.6**
Discount rate in %	1.00	1.95

TABLE 086

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
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**
28 February 2019								
Defined benefit obligation for direct pension benefits	712.8	55.2	56.3	21.4	43.5	7.8	58.3	955.3
Fair value of plans assets	−2.3	−0.9	−65.2	−32.3	−14.4	−5.6	−3.0	−123.7
Provision for pensions and similar obligations (net defined benefit obligation)	**710.5**	**54.3**	**−8.9**	**−10.9**	**29.1**	**2.2**	**55.3**	**831.6**

TABLE 087

Germany

Südzucker AG employees in Germany have access to employer-funded commitments for company pensions based on the employee's basic salary and years of service. Südzucker AG pension obligations are funded by provisions and thus represent the largest pension plan in place at Südzucker Group. The remaining German pension plans at CropEnergies, BENEO, and other companies are in their structure comparable with the rules of Südzucker AG for active employees and are likewise nearly exclusively provision funded.

Belgium

Employees at the Belgian companies Raffinerie Tirlemontoise S.A., BENEO-Orafti S.A. and Biowanze S.A. have access to funded pension plans. The company pension commitments are determined based on the basic salary and years of service at the company; the payouts include both periodic pension payments and one-time payments.

France

The pension plan for employees of Saint Louis Sucre S.A. France is likewise funded by a separate fund. Benefits from the plan are calculated as a percentage of the average salary paid prior to retirement from which the state pension and other company pensions are deducted.

Austria

The primary pension plans in Austria are the closed plans of AGRANA Zucker GmbH and AGRANA Stärke GmbH, which are provision funded. Plan assets are largely associated with the pension commitments of AGRANA Beteiligungs-AG for active and former executive board members; these are outsourced to a pension fund.

Severance plans

Provisions for similar obligations are largely related to pension plans for settlements. The largest severance plans are in place in Austria and France, but there are also corresponding commitments in Mexico, Poland, Romania, Russia, South Korea, Ukraine and the United States. The commitments in Austria and France relate to statutory benefit obligations with regard to one-time payments for the termination of employment upon entering retirement or in case of death of the employee, but not in the event the employment relationship is terminated by the employee.

Development of net financial debt

Net financial debt from defined benefit obligations developed as follows:

€ million	Defined benefit obligation	Fair value of plan assets	Provision for pensions and similar obligations
1 March 2018	**905.9**	**−125.1**	**780.8**
Expenses for company pension plans (Income statement)			
Current service cost	24.9		24.9
Past service cost	−0.7		−0.7
Gains and losses on curtailments or settlements	−0.2		−0.2
Interest expense (+) / income (–)	19.0	−2.5	16.5
	43.0	**−2.5**	**40.5**
Remeasurements (other comprehensive income)			
Gains (–) and losses (+) on actual return on plan assets		0.4	0.4
Gains (–) and losses (+) from change of demographic assumptions	9.9		9.9
Gains (–) and losses (+) from changes in financial assumptions	37.0		37.0
Gains (–) and losses (+) on experience adjustments	−5.1		−5.1
	41.8	**0.4**	**42.2**
Benefit payments, contributions, change in consolidated companies (and other)			
Change in consolidated companies (and other)	1.0	0.0	1.0
Effect of exchange rate differences	0.0	0.0	0.0
Employer contributions to plan assets	0.0	−3.9	−3.9
Plan participants contributions	0.3	−0.3	0.0
Benefit payments	−36.7	7.7	−29.0
	−35.4	**3.5**	**−31.9**
28 February 2019	**955.3**	**−123.7**	**831.6**

€ 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 (statement of income and expenses recogniced directly in equity)			
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**

TABLE 088

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 € 166.7 (42.2) million revaluation of pension obligations resulted from the adjustment of the discount rate from 1.95 % to 1.00 % for material pension plans and experience adjustments. The revaluation was recognized directly in equity. Last year as well the change was mainly due to the reduction of the discount rate and 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	2020	2019
Interest rate	1.00	1.95
Salary growth	2.50	2.50
Pension growth	1.50	1.50

TABLE 089

Interest rates between 0.8 and 1.20 (1.55 and 2.25) % 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 1.00 (1.95) % was assumed for the main plans with a mixed portfolio of active employees and pensioners (duration of 19 years). Plans primarily comprising pensioners (duration 11 years) had an underlying interest rate of 0.80 (1.55) %, other plans with a mixed portfolio of active employees and pensioners (duration 16 or 21 years) 1.15 or 1.20 (1.80 or 2.00) % and plans predominantly comprising active employees (duration 28 years) 1.15 (2.25) %.

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		2020		2019	
€ million	Change in actuarial assumption	Defined benefit obligation	Change	Defined benefit obligation	Change
Present value of the obligation		1,131.3	–	955.3	–
Discount rate	Increase by 0.50 percentage point	1,037.8	−8.3 %	880.6	−7.8 %
	Decrease by 0.50 percentage point	1,246.8	10.2 %	1,039.5	8.8 %
Salary growth	Increase by 0.25 percentage point	1,151.4	1.8 %	967.7	1.3 %
	Decrease by 0.25 percentage point	1,118.9	−1.1 %	942.4	−1.4 %
Pension growth	Increase by 0.25 percentage point	1,167.8	3.2 %	979.8	2.6 %
	Decrease by 0.25 percentage point	1,102.7	−2.5 %	930.3	−2.6 %
Life expectancy	Increase by one year	1,184.1	4.7 %	991.0	3.7 %
	Decrease by one year	1,084.9	−4.1 %	917.8	−3.9 %

TABLE 090

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	2020		2019	
€ million	Fair value	thereof market prices in active markets	Fair value	thereof market prices in active markets
Debt instruments	20.2	20.2	52.6	52.6
Equity instruments	14.9	14.9	14.8	14.8
Real estate funds	0.7	0.0	0.7	0.0
Assets held by assurance company	89.7	0.4	51.6	0.4
Other	4.1	4.1	4.1	4.1
Total	**129.5**	**39.5**	**123.7**	**71.9**

TABLE 091

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 18.4 (16.6) years. Employer contributions to plan assets are expected to total € 3.8 (5.0) million in the 2020/21 financial year. Pension and severance payments are expected to develop as follows over the next ten years:

Period	€ million
2020/21	36.7
2021/22	37.2
2022/23	40.2
2023/24	38.6
2024/25	43.3
2025/26 to 2029/30	210.6
Total	**406.6**

TABLE 092

(28) Other provisions

€ million 28/29 February	2020	Short-term	Long-term	2019	Short-term	Long-term
Personnel-related provisions	102.4	33.6	68.8	112.6	21.8	90.8
Provisions for litigation risks and risk precautions	165.7	39.8	125.9	178.9	72.5	106.4
Other provisions	93.5	46.1	47.4	101.8	53.4	48.4
Total	**361.6**	**119.5**	**242.1**	**393.3**	**147.7**	**245.6**

TABLE 093

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 2019 (published)	**112.6**	**178.9**	**101.8**	**393.3**
Adjustment from first-time application of IFRS 16	0.0	0.0	−1.2	−1.2
1 March 2019 (adjusted)	**112.6**	**178.9**	**100.6**	**392.1**
Change in companies incl. in the consolidation and other changes	−0.2	0.0	−1.2	−1.4
Changes due to currency translation	−0.2	0.0	0.0	−0.2
Additions and unwindings	27.8	8.9	34.9	71.6
Usage	−26.6	−2.7	−33.9	−63.2
Reversal	−11.0	−19.4	−6.9	−37.3
29 February 2020	**102.4**	**165.7**	**93.5**	**361.6**

TABLE 094

Personnel-related provisions
Personnel-related provisions of € 102.4 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 € 165.7 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 € 93.5 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 € 0.8 (0.9) million.

(29) Trade payables and other liabilities

€ million		Remaining term			Remaining term	
28/29 February	2020	to 1 year	over 1 year	2019	to 1 year	over 1 year
Liabilities to beet growers	211.5	211.5	0.0	196.2	196.2	0.0
Liabilities to other trade payables	606.1	606.1	0.0	590.2	590.2	0.0
Trade payables	**817.6**	**817.6**	**0.0**	**786.4**	**786.4**	**0.0**
Negative market value derivatives	20.2	20.2	0.0	17.7	17.7	0.0
Liabilities for personnel expenses	116.0	115.7	0.3	115.0	114.4	0.6
Remaining financial liabilities	130.3	120.8	9.5	135.6	122.7	12.9
Other financial liabilities	**266.5**	**256.7**	**9.8**	**268.3**	**254.8**	**13.5**
Liabilities for other taxes and social security contributions	50.1	50.1	0.0	49.4	49.4	0.0
Remaining non-financial liabilities	15.8	15.8	0.0	13.7	13.7	0.0
Non-financial liabilities	**65.9**	**65.9**	**0.0**	**63.1**	**63.1**	**0.0**
Other liabilities	**332.4**	**322.6**	**9.8**	**331.4**	**317.9**	**13.5**

TABLE 095

Liabilities to beet growers accounted for € 211.5 (196.2) million of the higher trade payables of € 817.6 (786.4) million. The increase was due to higher final beet payments.

Liabilities for personnel expenses in the amount of € 116.0 (115.0) million mainly represent commitments for bonuses, premiums, vacation and overtime pay.

Remaining non-financial liabilities totaling € 15.8 (13.7) million primarily include on-account payments received on orders as well as accrued and deferred items of € 8.4 (5.9) million.

(30) Financial liabilities, securities and cash and cash equivalents (net financial debt)

€ million		Remaining term			Remaining term	
28/29 February	2020	to 1 year	over 1 year	2019	to 1 year	over 1 year
Bonds	1,125.0	330.0	795.0	1,024.0	230.0	794.0
Liabilities to banks	803.7	266.4	537.3	603.3	271.3	332.0
Leasing liabilities	125.5	28.7	96.8	0.2	0.1	0.1
Financial liabilities	**2,054.2**	**625.1**	**1,429.1**	**1,627.5**	**501.4**	**1,126.1**
Securities (non-current assets)	−19.6			−18.8		
Securities (current assets) [1]	−267.5			−332.0		
Cash and cash equivalents [1]	−197.4			−147.7		
Securities and cash and cash equivalents	**−484.5**			**−498.5**		
Net financial debt	**1,569.7**			**1,129.0**		

[1] Further information is provided in section (1) of the notes to the consolidated financial statements.

TABLE 096

Of the financial debt totaling € 2,054.2 million, € 1,429.1 million, or 70.0 %, is available to Südzucker Group in the long term. Development of financial liabilities is as follows:

million €	2019/20	2018/19
1 March (published)	**1,627.5**	**1,572.6**
Adjustment from first-time application of IFRS 16	135.5	0.0
1 March (adjusted)	**1,763.0**	**1,572.6**
Cash changes	271.5	52.8
Non-cash changes	19.7	2.1
Initial consolidation	0.0	1.7
Deconsolidation	0.0	0.0
Measurement effects (in particular lease additions)	19.7	0.4
28/29 February	**2,054.2**	**1,627.5**

TABLE 097

Financial management

The financing of Südzucker Group is based on sustainable cash flows, strong relationships with the shareholder groups behind the company, access to international capital markets and reliable banking relationships. Südzucker clearly aims to confirm its investment grade rating.

Südzucker uses an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates. These include hybrid bonds, bonds, commercial paper, promissory notes and syndicated or bilateral bank credit lines. The bonds are generally issued by the Dutch financing company Südzucker International Finance B.V. and used throughout the group. Acquisitions and investments are financed in consideration of the financial ratios that must be maintained to keep the company's investment grade rating.

The unique financing requirements during the fiscal year due to the seasonality of the sugar sector (financing beet purchases and inventories) means that securing short-term cash is an important aspect of our financing structure. Short-term financing requirements are covered by a commercial paper program of € 600 million or a syndicated credit line of € 600 million for

Südzucker and syndicated credit lines of € 450 million for subgroup AGRANA. In addition, the group also has bilateral bank facilities at its disposal.

At present, Südzucker is primarily financed through the following financial instruments:

Hybrid bond

Südzucker International Finance B.V. issued an infinite, subordinated hybrid bond with a volume of € 700 million in July and August 2005. Since 30 June 2015, Südzucker is supposed to call the bond and repay it early at the nominal value (issuer call option). The bond can only be called in full and not in installments. The call option is subject to the condition that Südzucker has issued securities of equal rank and/or subordinated securities with similar features within 12 months of the effective date of the call with proceeds from the issue equaling the amount to be paid for calling the hybrid bond (as per section 6 (5) and (6) of the conditions of issue of the bond). The requirements for termination and repayment of the bond by Südzucker are currently not met.

Since 30 June 2015, the hybrid bond has a floating rate coupon based on the three month Euribor plus 3.10 % p.a. The rate was set at 2.710 % for the period 31 December 2019 to 31 March 2020 (exclusively). The quarterly coupon payments are payable in the subsequent quarter.

Furthermore, the conditions of issue of the bond provide Südzucker, in the event of a dividend event, with the option to defer the interest coupon payments. An optional (voluntary) interest coupon payment suspension may occur if no dividend was approved for shares of Südzucker AG at the last annual general meeting. In the event of a cash flow event, Südzucker is obliged to cancel the interest coupon payment. A mandatory coupon suspension is being triggered when consolidated cash flow falls below 5 % of the group's consolidated revenues. Measurement is based on the consolidated financial statements of Südzucker AG. On 29 February 2020, cash flow amounted to € 372.2 (377.1) million, which corresponds to 5.6 (5.6) % of the consolidated revenues of € 6,670.7 (6,754.1) million.

The rating agency Moody's has recognized the equity share of the subordinate bond at 75 % and Standard & Poor's at 50 %, which improves the group's rating-related debt ratios. The subordinated bond is recognized as equity in accordance with IFRS – see also explanatory notes in note (26) "Shareholders' equity".

2016/2023 bond

On 22 November 2016, Südzucker International Finance B.V. issued a bond with a nominal value of € 300 million and a 1.25 % coupon. The bond is guaranteed by Südzucker AG and has a term of seven years, maturing on 29 November 2023.

2017/2025 bond

On 21 November 2017, Südzucker International Finance B.V. issued a bond with a nominal value of € 500 million and a 1.00 % coupon. The bond is guaranteed by Südzucker AG and has a term of eight years, maturing on 28 November 2025.

Additional information regarding these bonds is available on the Südzucker corporate website.

Commercial paper program

The commercial paper program (CP program) serves short-term financing in the capital markets. Investors in CPs are mainly institutional investors. The CP program has a total line of € 600 million and enables Südzucker to issue short-term debt securities based on requirements and the market situation. There were CPs outstanding with a volume of € 330.0 (230.0) million as at 29 February 2020.

€ million	Due date	Coupon	Carrying amount	Fair value	Nominal value
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**
28 February 2019					
Bond 2016/2023	29/11/2023	1.250 %	298.4	301.1	300.0
Bond 2017/2025	28/11/2025	1.000 %	495.6	485.6	500.0
Commerial Paper			230.0	230.0	230.0
Bonds			**1,024.0**	**1,016.7**	**1,030.0**

TABLE 098

All bonds were fixed-interest bearing and had a combined carrying amount of € 1,125.0 (1,024.0) million.

Rating

On 19 June 2019, Moody's confirmed the company's corporate and bond rating of Baa3 and confirmed the negative outlook. Following the release of the quarterly statement on 14 January 2020, Moody's reaffirmed its rating on 15 January 2020 and appreciated the improvement in the sugar market environment and the rise in ethanol prices. Moody's left the subordinated hybrid bond equity credit rating unchanged at 75 %.

S&P confirmed its long-term corporate rating of BBB- on 24 May 2019 and changed the outlook to negative. In the Bulletin released on 14 January 2020, S&P also considered the published figures to be positive and supportive of the rating. The subordinated hybrid bond was recognized unchanged at 50 % equity.

Liabilities to banks

Liabilities to banks increased to € 803.7 (603.3) million. Of the fixed-interest bearing liabilities to banks in the amount of € 538.8 (416.5) million, € 386.2 (242.1) million was available in the long-term. Loans with variable interest rates totaled € 264.9 (186.8) million. As of the balance sheet date, liabilities to banks of € 4.4 (4.4) million were secured by mortgage rights and € 7.8 (7.8) million by other liens.

€ million		Remaining term			Remaining term		Average effective rate of interest in %	
28/29 February	2020	to 1 year	over 1 year	2019	to 1 year	over 1 year	2019/20	2018/19
Fixed coupon								
EUR	520.0	140.5	379.5	404.3	169.9	234.4	1.00	1.09
CNY	7.4	1.6	5.8	7.4	0.6	6.8	5.00	5.00
DZD	2.0	1.1	0.9	2.2	1.3	0.9	6.27	5.68
USD	9.4	9.4	0.0	2.6	2.6	0.0	3.33	3.55
Total	**538.8**	**152.6**	**386.2**	**416.5**	**174.4**	**242.1**	**1.11**	**1.20**
Variable interest rate								
EUR	250.5	99.4	151.1	178.6	88.7	89.9	0.91	0.89
CNY	8.7	8.7	0.0	0.0	0.0	0.0	4.79	–
EGP	0.4	0.4	0.0	0.4	0.4	0.0	15.00	12.00
HUF	3.6	3.6	0.0	5.9	5.9	0.0	6.00	2.00
KRW	1.6	1.6	0.0	1.2	1.2	0.0	2.86	3.32
TRY	0.0	0.0	0.0	0.3	0.3	0.0	–	22.85
USD	0.1	0.1	0.0	0.4	0.4	0.0	2.25	2.25
Total	**264.9**	**113.8**	**151.1**	**186.8**	**96.9**	**89.9**	**1.14**	**1.02**
Liabilities to banks	**803.7**	**266.4**	**537.3**	**603.3**	**271.3**	**332.0**	**1.12**	**1.14**

TABLE 099

Liabilities to banks include promissory notes of AGRANA in the amount of € 207.0 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 2024 with two extension options for one year each. 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 at 29 February 2020.

AGRANA can utilize syndicated credit facilities of € 300 million and € 150 million, respectively, for the purpose of general corporate financing. The syndicated credit lines have terms until June 2021 and August 2022, the latter with two extension options of one year each. The credit facility is made available by five banks. These credit lines had been accessed as at 29 February 2020 or 28 February 2019 in the amount of € 80 (75) million.

Securities and cash and cash equivalents

Investments in securities totaling € 287,1 (350,8) 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 overdueness of the receivables. 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 at 29 February 2020. 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
29 February 2020								
Financial liabilities								
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
	2,054.2	**2,173.2**	**644.6**	**80.2**	**176.9**	**337.8**	**138.3**	**795.4**
Other financial liabilities								
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
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
	968.1	**979.9**	**969.4**	**10.2**	**0.3**	**0.0**	**0.0**	**0.0**
	3,022.3	**3,153.1**	**1,614.0**	**90.4**	**177.2**	**337.8**	**138.3**	**795.4**

€ 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
28 February 2019								
Financial liabilities								
Bonds	1,024.0	848.8	8.8	8.8	8.8	8.8	308.8	505.0
Liabilities to banks	603.3	617.3	275.6	40.3	41.6	44.5	109.6	105.7
Liabilities from finance leasing	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
	1,627.5	**1,466.3**	**284.5**	**49.2**	**50.4**	**53.3**	**418.4**	**610.7**
Other financial liabilities								
Liabilities to beet growers	196.2	196.2	196.2	0.0	0.0	0.0	0.0	0.0
Trade payables	590.2	590.2	590.2	0.0	0.0	0.0	0.0	0.0
Remaining financial liabilities	135.6	135.6	122.7	12.9	0.0	0.0	0.0	0.0
Forex futures – cash out	7.3	720.3	707.8	0.4	12.1	0.0	0.0	0.0
Forex futures – cash in	–	−701.0	−700.4	−0.3	−0.3	0.0	0.0	0.0
Interest rate swaps – cash out	1.5	2.0	1.2	0.3	0.3	0.2	0.0	0.0
Interest rate swaps – cash in	–	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodity derivatives	8.9	8.9	8.9	0.0	0.0	0.0	0.0	0.0
	939.7	**952.2**	**926.6**	**13.3**	**12.1**	**0.2**	**0.0**	**0.0**
	2,567.2	**2,418.5**	**1,211.1**	**62.5**	**62.5**	**53.5**	**418.4**	**610.7**

TABLE 100

The undiscounted payment outflows are subject to the assumption that the settlement of the liability takes place at the earliest possible due date. The interest payments on variable-rate financial instruments are calculated on the basis of the most recent applicable interest rates

Price risk management

Price risk management encompasses currencies, interest rates and commodity prices. The following information provides details about risks and risk management concerning these three areas.

Currency risk

Currency risk arises from the global orientation of Südzucker Group, and such risks from exchange rate fluctuations are inherent in the operating activities as well as the financial result and cash flows. The relative exchange rates having a material effect are the exchange rates of the euro to the US dollar, the British pound sterling, the Polish zloty, the Romanian leu, the Moldavian leu and/or the Argentine peso. There are also risks associated with exchange rates of the US dollar to the Chilean peso.

Currency risk arises in operating activities when revenues are realized or the cost of materials and/or merchandise used is incurred in a currency other than the local currency (functional currency). The currency risk associated with the financial result primarily results from group-internal financing of subsidiaries using a different local currency.

Currency risk management

The aim of currency risk management is to reduce exchange rate risks. The divisions make decisions on the type and scope of operational currency hedging in coordination with the Corporate Finance department. Derivatives in the form of forward exchange transactions are used to hedge operational exchange rate risks. Cross-currency swaps are also used in finance activities.

Sensitivity analysis

The sensitivity analysis 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 at 29 February 2020.

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	2020	2019	2020	2019	2020	2019
USD	41.6	59.1	−3.8	−5.4	4.6	6.6
GBP	54.2	44.1	−4.9	−4.0	6.0	4.9
RON	22.9	0.0	−2.1	0.0	2.5	0.0
CZK	−13.3	−0.6	1.2	0.1	−1.5	−0.1
HUF	−22.0	−0.7	2.0	0.1	−2.4	−0.1
Other currencies	−151.5	−64.1	13.8	5.8	−16.8	−7.1

TABLE 101

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 € 235.0 (322.2) million has been granted in the USA and Poland. These loans qualify as a net investment in a foreign operation, which is why the resulting currency fluctuations are recognized directly in equity. If the value of the euro against the US-dollar or Polish zloty had dropped, i.e. climbed by 10 %, shareholders' equity before tax would have increased by € 21.4 (29.3) million, i.e. decreased by € 26.1 (35.8) million, respectively.

Interest rate risk

Südzucker is exposed to interest rate risk from floating rate financial liabilities, i.e. financial invest-ments. This interest rate risk mainly results from typical fluctuations in liquidity levels during the campaign season, or existing or planned floating rate debt.

Interest rate risk management

Südzucker utilizes a financing structure that is optimized to meet liquidity requirements, and which also includes fixed-rate financial instruments to minimize interest rate risk. See note (30) “Financial liabilities, securities and cash and cash equivalents (net financial debt)” for details. Derivative instruments such as interest rate swaps are also used to a limited extent as part of interest rate risk management.

Sensitivity analysis

Most bonds and long-term bank debt are agreed with fixed interest rates. Had market interest rates increased by half a percentage point applied to floating rate financial instruments as at 29 February 2020 without considering concluded interest rate swaps, interest expense would have increased as follows:

Interest rate sensitivity			2019/20			2018/19
€ million	Total	thereof with floating rate	Effect from interest rate sensitivity	Total	thereof with floating rate	Effect from interest rate sensitivity
Liabilities to banks	803.7	264.9	−1.3	603.3	186.8	−0.9

TABLE 102

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 and wheat futures, derivatives in form of CO_2 emissions 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	2020	2019	2020	2019	2020	2019
Forex futures	651.1	718.7	3.1	2.2	−6.7	−7.3
Interest rate swaps	50.0	108.0	0.0	0.0	−1.1	−1.5
Commodity derivatives	372.7	236.0	8.5	4.1	−12.4	−8.9
Total	**1,073.8**	**1,062.7**	**11.6**	**6.3**	**−20.2**	**−17.7**

TABLE 103

In the case of OTC derivatives (interest and currency derivatives and derivatives on CO_2 emissions certificates), Südzucker is exposed to credit risk when market values are positive. Credit risk is limited by only concluding derivatives with banks and partners with a good credit rating. Derivatives contracted at futures exchanges (sugar, wheat, corn and ethanol derivates) are generally not exposed to credit risk.

In response to a decrease/increase by half a percentage point in the market interest rate as well as an increase/decrease in the respective currencies against the euro by 10 %, a decrease/increase in prices for wheat, corn and oil, sugar and ethanol or a decrease/increase in prices for sugar, ethanol, wheat, corn, CO_2 emissions certificates, gas and oil by 10 % (respectively), the market value of the derivatives concluded as at 29 February 2020 would change as follows (sensitivity analysis):

€ million	Net market values		Sensitivity (+)		Sensitivity (-)	
28/29 February	2020	2019	2020	2019	2020	2019
Forex futures	−3.6	−5.1	20.2	19.9	−24.7	−17.3
Interest rate swaps	−1.1	−1.5	0.7	1.1	−0.7	−4.0
Commodity derivatives	−3.9	−4.8	−13.0	0.7	10.9	−1.5
Total	**−8.6**	**−11.4**	**7.9**	**21.7**	**−14.5**	**−22.8**

TABLE 104

In particular, forex futures and commodity derivatives are also recognized as hedges using cash flow hedge accounting. Changes in the value of these hedging instruments are initially recognized in shareholders' equity and not in revenues (for sales transactions) or in cost of materials (for purchasing transactions) until the time 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	Positive market value		Negative market value	
28/29 February	2020	2019	2020	2019
Forex futures	1.4	0.5	−3.5	−3.8
Interest rate swaps	0.0	0.0	−1.1	−0.6
Commodity derivatives	8.3	3.5	−9.9	−5.8
Total	**9.7**	**4.0**	**−14.5**	**−10.2**

TABLE 105

The corresponding hedges mainly comprise price risk component hedges in sugar sales. The nominal volume attributable to this at the balance sheet date with regard to currency hedging and to sugar price hedging is USD 57.1 (114.8) million with a hedging rate of 280 (271) €/t. Transactions still hedged at the end of the financial year will be almost fully realized in the next fiscal year. Ineffectiveness due to differing maturities of basic and hedging business had to be recognized in the amount of € −0.5 (0.0) 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 € 3.0 (13.9) million and € −6.6 (−20.2) million, respectively, and changed earnings before income taxes by € 4.9 (7.8) million and € −7.9 (−2.6) million, respectively.

For more details on the market values by measurement category and measurement level, see note (32) "Additional disclosures on financial instruments".

(32) Additional disclosures on financial instruments

Carrying amount and fair value of financial instruments

The following tables show the carrying amount and fair value of financial assets and liabilities for each of the measurement categories.

28/29 February		2020		2019	
€ million	Measurement categories	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Securities	At fair value through profit or loss	13.3	13.3	13.1	13.1
Securities	Fair value recognized directly in equity in other comprehensive income (excluding recycling)	6.3	6.3	5.7	5.7
Long term securities		*19.6*	*19.6*	*18.8*	*18.8*
Other investments	At fair value through profit or loss	4.1	4.1	1.1	1.1
Trade receivables	At amortized cost	978.2	978.2	972.7	972.7
Receivables due from the EU	At amortized cost	0.1	0.1	0.5	0.5
Remaining financial assets	At amortized cost	52.9	52.9	52.4	52.4
Positive market value derivatives	At fair value through profit or loss	1.9	1.9	2.3	2.3
Positive market value derivatives – hedge accounting	n/a	9.7	9.7	4.0	4.0
Securities	Fair value recognized directly in equity in other comprehensive income (including recycling)	125.0	125.0	125.0	125.0
Securities	At fair value through profit or loss	0.3	0.3	0.3	0.3
Securities [1]	At amortized cost	142.2	142.2	0.0	0.0
Short term securities		*267.5*	*267.5*	*332.0*	*332.0*
Cash and cash equivalents [1]	At amortized cost	197.4	197.4	147.7	147.7
		1,531.4	**1,531.4**	1,531.5	1,531.5
Financial liabilities					
Bonds	At amortized cost	1,125.0	1,144.9	1,024.0	1,016.7
Liabilities to banks	At amortized cost	803.7	809.5	603.3	609.2
Leasing liabilities	At amortized cost	125.5	–	0.2	0.2
Trade liabilities	At amortized cost	817.6	817.6	786.4	786.4
Remaining financial liabilities	At amortized cost	130.3	130.3	135.6	135.6
Negative market value derivatives	At fair value through profit or loss	5.7	5.7	7.5	7.5
Negative market value derivatives – hedge accounting	n/a	14.5	14.5	10.2	10.2
		3,022.3	**2,922.5**	**2,567.2**	**2,565.8**

[1] The previous year's amount has been adjusted. Further details are provided under Note (1) of the notes to the consolidated financial statements.

TABLE 106

The totals by measurement category and the net result by measurement category are given below.

€ million	29 February 2020		2019/20	28 February 2019		2018/19
Measurement category in accordance with IFRS 9	Carrying amount	Fair value	Net result	Carrying amount	Fair value	Net result
Financial assets at fair value through profit and loss	19.6	19.6	10.4	16.7	16.7	6.9
Financial assets at fair value recognized directly in equity in other comprehensive income (excluding recycling)	6.3	6.3	0.0	5.7	5.7	0.0
Financial assets at fair value recognized directly in equity in other comprehensive income (including recycling)	125.0	125.0	7.2	125.0	125.0	6.9
Financial assets at amortized cost	1,370.8	1,370.8	21.9	1,380.0	1,380.0	30.2
Financial liabilities at fair value through profit and loss	5.7	5.7	−18.0	7.5	7.5	−11.3
Financial liabilities at amortized cost	2,876.6	2,902.3	−39.5	2,549.3	2,547.9	−37.3
	–	–	**−18.0**	–	–	**−4.6**

TABLE 107

Net result by measurement category included interest, dividends and gains or losses on the measurement of financial instruments and currency results. In the previous year the addition and reversal of allowances were also recognized. The net profit or loss from the measurement category "liabilities measured at amortized cost" comprised interest expense in the amount of € 19.8 (18.5) million. The measurement category "assets measured at amortized cost" includes interest income totaling € 5.5 (7.1) million. The net profit or loss from the measurement category "Financial assets measured at fair value through equity in comprehensive income (with recycling)" in the 2019/20 financial year includes interest income of € 6.9 (6.9) million.

Measurement levels

For financial instruments measured at fair value, a distinction is made between three measurement levels with regard to the determination of the fair values. At Level 1, the measurement is based on unadjusted prices of identical financial instruments on active markets. Level 2 measurement takes place using prices derived from prices on active markets. Level 3 measurement is based on valuation techniques that include at least one significant non-observable factor.

Due to the short maturities of trade receivables, receivables from the EU, remaining financial receivables and cash funds, it is assumed that their fair values are equal to their carrying amounts.

The fair values of liabilities to banks are calculated as the present value of the payments associated with the liabilities, using the relevant current yield curve as the basis. This corresponds to Level 2. The credit risk can be reliably determined.

For trade payables and remaining current financial liabilities, the assumption given their short maturity is that their fair values are equal to their reported carrying amounts.

The fair values of the listed 2016/23 and 2017/2025 bonds in the amount of € 1,144.4 (1,016.7) 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	2020	Evaluation level 1	Evaluation level 2	Evaluation level 3	2019	Evaluation level 1	Evaluation level 2	Evaluation level 3
Securities	**144.9**	**12.7**	**125.0**	**7.2**	**144.1**	**12.3**	**125.0**	**6.8**
Other investments	**4.1**	**0.0**	**0.0**	**4.1**	**1.1**	**0.0**	**0.0**	**1.1**
Positive market values – derivatives without hedge accounting	1.9	0.2	1.7	0.0	2.3	0.7	1.6	0.0
Positive market values – hedge accounting derivatives	9.7	8.4	1.3	0.0	4.0	3.4	0.6	0.0
Positive market values	**11.6**	**8.6**	**3.0**	**0.0**	**6.3**	**4.1**	**2.2**	**0.0**
Financial assets	**160.6**	**21.3**	**128.0**	**11.3**	**151.5**	**16.4**	**127.2**	**7.9**
Negative market values – derivatives without hedge accounting	5.7	2.5	3.2	0.0	7.5	3.1	4.4	0.0
Negative market values – hedge accounting derivatives	14.5	9.9	4.6	0.0	10.2	5.9	4.3	0.0
Negative market values/financial liabilities	**20.2**	**12.4**	**7.8**	**0.0**	**17.7**	**9.0**	**8.7**	**0.0**

TABLE 108

Non-current and current securities include equity instruments recognized at fair value through profit or loss or at fair value as part of other comprehensive income. Last year assets designated as available-for-sale were included here. These are measured at market values equal to prices quoted on an exchange as at the balance sheet date (Level 1). If no listings on active markets are available, measurement takes place using prices derived from prices on active markets (Level 2). In the current year this includes, in particular, a fixed-rate debt instrument recognized under securities and measured at fair value through equity (with recycling). The credit risk of the issuer is a material factor here. Assuming a change in the credit risk by 100 basis points, a valuation effect of approximately +/– € 1 million would result. Fair values are determined in the remaining cases on the basis of valuation techniques whose influencing factors are not exclusively based on observable market data (Level 3).

The positive and negative market values of currency, interest and commodity derivatives are related in part to derivatives that are the effective portion of a hedge. These are used to hedge future cash flows from firm commitments or from highly probable future transactions against fluctuations.

There are also currency, interest and commodity derivatives in the form of fair value hedges or with-out formally designated hedges against changes in the fair value of an asset or liability that are recognized in the income statement.

The market values of commodity derivatives such as sugar, wheat or ethanol futures traded on liquid markets are determined on the basis of prices quoted as at the reference date (Level 1).

Measurement of market values for other commodity derivatives such as oil swaps is based on quoted prices for gasoline and coal from relevant trading and quote information platforms (Level 2).

Forex futures are measured on the basis of reference rates, taking forward premiums or discounts into consideration (Level 2).

The concluded interest rate derivatives exclusively concern interest rate swaps. The market values of these interest rate hedging transactions were determined on the basis of discounted expected 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	2020	2019
Guarantees	44.7	45.9
thereof for Joint Ventures	42.7	42.0
Warranty commitments	1.4	1.4

TABLE 109

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 € 5.9 (6.4) million exists from a refund claim on EU funding in Hungary. The company's management classifies the refund as very unlikely.

Purchase orders for investments in property, plant and equipment

Purchase orders for investments in property, plant and equipment in the amount of € 76.6 (151.3) million are related mainly to investments in sugar factories in preparation for the next campaign as well as in the starch and Freiberger divisions and in the CropEnergies segment.

Liabilities from operating leases

Statement of liabilities from operating leases refers exclusively to the previous year. With the first-time adoption of IFRS 16 (Leases) in the 2019/20 financial year this was no longer required, because liabilities from leases were presented as leasing liabilities within financial debt in the balance sheet; additional information is provided under notes (1) and (22).

Undiscounted minimum lease payments in subsequent periods totaled € 168.6 million in fiscal 2018/19 based on an updated survey. The corresponding payment obligations in particular to lease agreements for offices, storage facilities, machines, vehicles, railroad cars, IT systems and office equipment were due as follows:

€ million 28 February	2019
Due date: up to 1 year	42.3
Due date: 1 to 5 years	74.2
Due date: over 5 years	52.1
Total	**168.6**

TABLE 110

The difference between the off-balance-sheet lease obligations according to IAS 17 as of 28 February 2019 of € 168.6 million and the additional lease obligations resulting from the first-time application of IFRS 16 on 1 March 2019 of € 135.5 million amounts to € 33.1 million. It relates mainly to the discounting of obligations from Operating Leasing as per IAS 17, and to a small extent the usage of the exception for short-term and low value leases and the difference in treatment of renewable options.

(34) Fees for services by the group's external auditors

Expenses in 2019/20 for services provided by the group's external auditors, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, were made up of fees for the following services:

€ thousand	2019/20	2018/19
Auditing services	820	750
Other assurance services	78	95
Tax consulting fees	16	23
Other services	0	0
Total	**914**	**868**

TABLE 111

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 certification services outside of the financial statements audit. Tax consulting fees mainly include fees for project-related consulting services.

(35) Declarations of compliance per section 161 AktG

Südzucker AG

The executive board and supervisory board of Südzucker AG issued the declaration of compliance relating to the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) on 14 November 2019 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 11 November 2019 and made it permanently available to shareholders on the CropEnergies corporate website at www.cropenergies.com/en/investorrelations/Corporate_Governance/Entsprechenserklaerungen/Entsprechenserklaerung/.

(36) Related parties

Related companies and persons

The following companies are considered related parties:

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), which has a majority interest in Südzucker AG by means of its own holding of Südzucker shares, and those shares held by it on trust for its cooperative members.

Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H. (Raiffeisen-Holding), Vienna, Austria, including its subsidiaries, which holds share capital via Zucker Invest GmbH, Vienna, Austria.

Südzucker Unterstützungswerk (SUW), Frankenthal, Palatinate, Germany, whose assets are used to support Südzucker employees and pensioners in instances of particular difficulty as well as for social activities. Some of the trustees are also members of Südzucker AG's executive board.

The joint venture companies and associates subject to joint control or significant influence by Südzucker Group.

The members of the Südzucker AG executive and supervisory boards and their dependents are related parties.

Items recorded in the 2019/20 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 € 0.2 (0.4) million and € 3.4 (3.1) million, respectively. In addition, there were financial receivables of € 144.3 (133.4) million from, and financial liabilities of € 53.7 (41.7) million to Raiffeisen Group; financial receivables of € 125 million relate to a subordinated bond with an interest rate through 23 February 2021 of 5.53 %. The remaining interest is likewise charged at normal market rates.

Südzucker AG and its subsidiaries have extensive business relationships with joint ventures and one associate in the ordinary course of business. Transactions are carried out with these companies the same as with unrelated parties. The volume of transactions of Südzucker Group with significant related parties is made up as follows:

€ million[1]	2019/20	2018/19
Joint ventures	188.1	207.2
Associated companies	33.3	74.9
Services performed for related parties	**221.4**	**282.1**
Joint ventures	61.9	66.2
Associated companies	1.2	0.0
Services received from related parties	**63.1**	**66.2**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 112

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	2020	2019
Joint ventures	50.7	52.8
Associated companies	0.1	10.9
Receivables from related parties	**50.8**	**63.7**
Joint ventures	6.8	6.0
Associated companies	0.2	0.1
Liabilities to related parties	**7.0**	**6.1**

[1] Only relationships to fully consolidated subsidiaries.

TABLE 113

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	2019/20	2018/19
Fixed compensation	3.2	3.2
Variable compensation	1.7	1.9
Total compensation	**4.9**	**5.1**

TABLE 114

Provisions for pensions of € 41.8 (28.6) million relate to former members of Südzucker AG's executive board and their dependents. Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 2.3 (2.3) million. Provisions for pensions for current executive board members amounted to € 20.1 (25.7) million; service cost additions in 2019/20 amounted to € 0.5 (0.5) million.

Supervisory board compensation

Total compensation paid to Südzucker AG's supervisory board members for all activities is presented in the following table. A variable component is granted only if there is a dividend that exceeds € 0.50 per share, which was not the case.

€ million	2019/20	2018/19
Fixed compensation	1.8	1.8
Variable compensation	0.0	0.0
Total compensation	**1.8**	**1.8**

TABLE 115

In addition, supervisory board representatives who are also Südzucker Group employees also receive their normal contractually agreed wages, which are not related to their supervisory board activities.

The remuneration systems for the executive board and supervisory board are discussed in the corporate governance and responsibility report, which is part of the group management report.

(37) Supervisory board and executive board

Supervisory board

Dr. Hans-Jörg Gebhard, Eppingen, Germany
Chairman
Born 1955, member since 3 January 1995,
Chairman since 24 August 2000
Chairman of the executive board of Verband Süddeutscher Zuckerrübenanbauer e. V.
Board memberships [1]
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany (Chairman)
- Vereinigte Hagelversicherung VVaG, Gießen, Germany

Franz-Josef Möllenberg [2], Rellingen, Germany
1st deputy chairman
Born 1953, member since 14 May 1992,
1st deputy chairman since 26 August 1992
Former chairman of Gewerkschaft
Nahrung–Genuss–Gaststätten

Erwin Hameseder, Mühldorf, Austria
2nd deputy chairman
Born 1956, member since 31 July 2003,
2nd deputy chairman since 17 July 2014;
Chairman of Raiffeisen-Holding
Niederösterreich-Wien reg. Gen. m. b. H.
Board memberships [3]
- UNIQA Insurance Group AG, Vienna, Austria (2nd deputy chairman)
- RWA Raiffeisen Ware Austria AG, Vienna, Austria
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen, Vienna, Austria

Thomas Bernhard [2], Wunstorf, Germany
Born 1961, member since 20 July 2017
Works council secretary of Gewerkschaft
Nahrung-Genuss-Gaststätten
Board memberships
- Dussmann Stiftung & Co. KGaA, Berlin, Germany

Helmut Friedl, Egling a. d. Paar, Germany
Born 1965, member since 16 July 2015
Chairman of the executive board of
Verband bayerischer Zuckerrübenanbauer e. V.
Board memberships
- BMG Donau-Lech eG, Mering, Germany

Ulrich Gruber [2], Plattling, Germany
Born 1972, member since 1 May 2018
Deputy chairman of the central works council of
Südzucker AG since 1 January 2019

Veronika Haslinger, Vienna, Austria
Born 1972, member since 17 July 2014
Managing director of Raiffeisen-Holding
Niederösterreich-Wien reg. Gen. m. b. H.
Board memberships [3]
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

Ralf Hentzschel, Panschwitz-Kuckau, Germany
Born 1964, member from 21 July 2011 to 13 March 2019
Former chairman of the general committee of Verband
Sächsisch-Thüringischer Zuckerrübenanbauer e. V.

Georg Koch, Wabern, Germany
Born 1963, member since 21 July 2009
Chairman of the general committee of Verband der
Zuckerrübenanbauer Kassel e. V.
Deputy chairman of the executive board of Süddeutsche
Zuckerrübenverwertungs-Genossenschaft eG

Susanne Kunschert, Stuttgart, Germany
Born 1970, member since 17 July 2014
Managing partner of Pilz GmbH & Co. KG
Board memberships
- Karlsruhe Institute of Technology, Karlsruhe, Germany
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

Walter Manz, Dexheim, Germany
Born 1964, member from 12 April 2019
Chairman of the general committee of Verband Hessisch-Pfälzischer Zuckerrübenanbauer e. V.

Julia Merkel[4], Wiesbaden, Germany
Born 1965, member since 20 July 2017
Member of the executive board of R+V Versicherung AG
Board memberships
- Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart, Germany

Sabine Möller[2], Hamburg, Germany
Born 1964, member since 31 October 2018
Divisional officer of Gewerkschaft Nahrung-Genuss-Gaststätten

Angela Nguyen[2], Gerwisch, Germany
Born 1969, member since 20 July 2017
Deputy chairwoman of the works council of Freiberger Osterweddingen GmbH & Co. KG

Ulrike Rösch[2], Bellheim, Germany
Born 1970, member since 20 July 2017
Deputy chairwoman of the central works council of Mannheim der Südzucker AG

Joachim Rukwied, Eberstadt, Germany
Born 1961, member since 24 July 2007
President of Deutscher Bauernverband e. V.
Board memberships
- BAYWA AG, Munich, Germany
- Cost center Landesbauernverband Baden-Württemberg GmbH, Stuttgart, Germany (chairman)
- Kreditanstalt für Wiederaufbau, Frankfurt am Main, Germany
- LAND-DATA GmbH, Visselhövede, 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 and Rain plants of Südzucker AG

Rolf Wiederhold[2], Wabern, Germany
Born 1969, member since 1 March 2013
Chairman of the central works council of Südzucker AG since 1 January 2019

[1] Memberships in addition to Südzucker Group functions.
[2] Employee representative.
[3] Memberships in addition to Südzucker Group and Raiffeisen-Holding Niederösterreich-Wien Group functions.
[4] Memberships in addition to functions in R+V Versicherung AG.

Committees of the supervisory board

General Committee
Dr. Hans-Jörg Gebhard
Franz-Josef Möllenberg
Erwin Hameseder
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

Social Welfare Committee
Dr. Hans-Jörg Gebhard (chairman)
Thomas Bernhard
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. Wolfgang Heer
Ludwigshafen am Rhein, Germany
CEO
From 20 November 2012 to 29 January 2020; member of the executive board since 1 March 2008

Dr. Thomas Kirchberg
Würzburg, Germany
Since 1 September 2007; appointed until 31 August 2022
Board memberships [1]
- Ekosem-Agrar AG, Walldorf, Germany

Thomas Kölbl
Speyer, Germany
Since 1 June 2004; appointed until 31 May 2024
Board memberships [1]
- K+S Aktiengesellschaft, Kassel, Germany

Johann Marihart
Limberg, Austria
Since 31 January 1994; appointed until 28 February 2021
Board memberships [1]
- BBG Bundesbeschaffungsges. m. b. H., Vienna, Austria
- Österreichische Forschungsförderungsgesellschaft mbH, Vienna, Austria (deputy chairman)
- Ottakringer Getränke AG, Vienna, Austria
- Spanische Hofreitschule – Bundesgestüt Piber, Vienna, Austria (chairman)
- tecnet equity NÖ Technologiebeteiligungs-Invest GmbH, St. Pölten, Austria
- TÜV Austria Holding AG, Vienna, Austria (chairman)

[1] Memberships in addition to Südzucker Group functions.

(38) List of shareholdings in accordance with section 313 (2) HGB

I. Affiliated companies (fully consolidated)

	Shortcut	Location	Country	Direct shareholder	%
Sugar segment					
Division business unit sugar					
Südzucker and sales companies					
Südzucker AG	SZAG	Mannheim	Germany		
Sudzucker Hellas E.P.E.		Agios Dimitrios	Greece	SZH	99.94
				SZV	0.06
Sudzucker Ibérica S.L.U.		Barcelona	Spain	SZH	100.00
Südzucker United Kingdom Limited		Edinburgh	United Kingdom	SZH	100.00
S.Z.I.L. LTD		Kfar Saba	Israel	SZH	100.00
Sugar Belgium					
Raffinerie Tirlemontoise S.A.	RT	Tienen	Belgium	SZH	99.41
Nougat Chabert & Guillot SA	NC&G	Montélimar	France	SOGELAF	99.75
S.C.I. DU MARINET		Montélimar	France	SOGELAF	99.75
				NC&G	0.25
Rafti B.V.		Wijchen	Netherlands	TSNH	100.00
S.O.G.E.L.A.F. SARL	SOGELAF	Paris	France	RT	100.00
Tiense Suikerraffinaderij Nederland Holding B.V.	TSNH	Wijchen	Netherlands	RT	100.00
Tiense Suikerraffinaderij Services g.c.v.		Bruxelles	Belgium	RT	100.00
Sugar France					
Saint Louis Sucre S.A.S.	SLS	Paris	France	SZH	99.96
Sugar Poland					
Südzucker Polska S.A.	SZPL	Wrocław	Poland	SZH	99.59
„POLTERRA" Sp. z o.o.		Wrocław	Poland	SZPL	100.00
Przedsiebiorstwo Rolne „KLOS" Sp. z o.o.		Wrocław	Poland	SZPLN	100.00
Südzucker Polska Nieruchomosci Sp. z o.o.	SZPLN	Wrocław	Poland	SZPL	100.00
Division AGRANA sugar					
AGRANA sales company					
AGRANA Sales & Marketing GmbH	ASM	Wien	Austria	AB	100.00
Sugar Austria					
AGRANA Zucker GmbH	AZ	Wien	Austria	AB	98.91
				ASM	1.09
AGRANA ZHG Zucker Handels GmbH		Wien	Austria	ASM	100.00
Österreichische Rübensamenzucht Gesellschaft m.b.H.		Wien	Austria	ASM	86.00

	Shortcut	Location	Country	Direct shareholder	%
Sugar Romania					
AGRANA AGRO S.r.l.		Roman	Romania	AR	99.00
				AZ	1.00
AGRANA BUZĂU S.r.l.		Buzău	Romania	AR	99.00
				AZ	1.00
AGRANA Romania S.R.L.	AR	Bukarest	Romania	ASM	100.00
AGRANA TANDAREI S.r.l.		Tandarei	Romania	AR	99.00
				AZ	1.00
Sugar Slovakia					
Slovenské Cukrovary s.r.o.		Sered	Slovakia	ASM	100.00
Sugar Czech Republic					
Moravskoslezské Cukrovary A.S.		Hrušovany	Czech Republic	ASM	100.00
Sugar Hungary					
AGRANA Magyarország Értékesitési Kft.	AME	Budapest	Hungary	MCeF	99.70
				AZ	0.30
Biogáz Fejlesztő Kft.		Kaposvár	Hungary	AME	100.00
Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság		Budapest	Hungary	MCeF	100.00
Magyar Cukorgyártó és Forgalmazó Zrt.	MCeF	Budapest	Hungary	ASM	87.61
Sugar Bulgaria					
AGRANA Trading EOOD		Sofia	Bulgary	ASM	100.00
Sugar Bosnia					
AGRANA BIH Holding GmbH	ABIH	Wien	Austria	ASM	75.00
				SZH	25.00
AGRANA d.o.o.		Brčko	Bosnia-Herzegovina	ABIH	100.00
AGRANA Holding / other					
AGRANA Beteiligungs-Aktiengesellschaft	AB	Wien	Austria	Z&S	78.34
				SZAG	2.74
AGRANA Group-Services GmbH	AGS	Wien	Austria	AB	100.00
Agrana Research & Innovation Center GmbH		Wien	Austria	AB	100.00
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.		Wien	Austria	AB	66.67
Division sugar Moldova					
Südzucker Moldova S.R.L.	SZM	Chişinău	Moldova	SZH	99.97
Agro Credit S.R.L.		Drochia	Moldova	SZH	100.00
Agro-SZM S.R.L.		Drochia	Moldova	SZM	100.00
Division agriculture					
Loberaue Agrar GmbH	LOB	Rackwitz	Germany	SZAG	100.00
Rackwitzer Biogas GmbH		Rackwitz	Germany	LOB	100.00
Terra Sömmerda GmbH		Sömmerda	Germany	SZVW	100.00
Wolteritzer Agrar GmbH		Rackwitz	Germany	LOB	100.00
Zschortauer Agrar GmbH		Rackwitz	Germany	LOB	100.00
Zschortauer Futtermittel GmbH		Rackwitz	Germany	LOB	74.00

	Shortcut	Location	Country	Direct shareholder	%
Sugar other					
AHG Agrar-Holding GmbH [2]		Mannheim	Germany	SZAG	100.00
AGRANA Zucker, Stärke und Frucht Holding AG [1]	AZS	Wien	Austria	SZAG	50.00
Z & S Zucker und Stärke Holding AG	Z&S	Wien	Austria	AZS	100.00
AIH Agrar-Industrie-Holding GmbH	AIH	Mannheim	Germany	SZAG	100.00
BGD Bodengesundheitsdienst GmbH [2]		Mannheim	Germany	SZAG	100.00
Südzucker Holding GmbH [2]	SZH	Mannheim	Germany	SZAG	100.00
Südzucker International Finance B.V.		Oud-Beijerland	Netherlands	SZAG	100.00
Südzucker Tiefkühl-Holding GmbH [2]	SZTK	Ochsenfurt	Germany	SZAG	100.00
Südzucker Versicherungs-Vermittlungs-GmbH		Mannheim	Germany	SZAG	51.00
Südzucker Verwaltungs GmbH [2]	SZVW	Mannheim	Germany	SZAG	100.00

Special products segment

Division BENEO					
BENEO GmbH [2]	B	Mannheim	Germany	SZAG	100.00
BENEO Asia Pacific Pte. Ltd.		Singapore	Singapore	BP	100.00
BENEO Iberica S.L. Unipersonal		Barcelona	Spain	BO	100.00
BENEO Inc.		Parsippany	USA	BP	100.00
BENEO India Private Limited		New Delhi	India	BP	99.99
				B	0.01
BENEO Latinoamerica Coordenaçao Regional Ltda.		São Paulo	Brazil	BO	100.00
				BP	0.00
BENEO-Orafti S.A.	BO	Oreye	Belgium	BR	100.00
BENEO-Palatinit GmbH [2]	BP	Mannheim	Germany	B	85.00
				SZAG	15.00
BENEO-Remy N.V.	BR	Wijgmaal (Leuven)	Belgium	B	100.00
Orafti Chile S.A.		Pemuco	Chile	BO	99.99
				BP	0.01
REMY ITALIA S.P.A.		Confienza (PV)	Italy	BR	66.70
Veniremy N.V.		Wijgmaal (Leuven)	Belgium	BR	100.00
Division Freiberger					
Freiberger Holding GmbH [2]	FH	Berlin	Germany	SZTK	90.00
				SZAG	10.00
Alberto Lebensmittel GmbH		Berlin	Germany	FLG KG	100.00
Crestar Crusts Inc.		Braintree	USA	RF	100.00
Favorit Lebensmittel-Vertriebs GmbH		Berlin	Germany	FIB	100.00
Feinschmecker Eiscreme und Tiefkühlkost GmbH		Berlin	Germany	FH	100.00
Feinschmecker Feinkost GmbH	FF	Berlin	Germany	FIB	100.00

	Shortcut	Location	Country	Direct shareholder	%
Freiberger France S.A.R.L.		St. Didier au Mont d'Or	France	FIB	100.00
Freiberger GmbH		Berlin	Germany	FLG KG	100.00
Freiberger Internationale Beteiligungs GmbH [2]	FIB	Berlin	Germany	FLG KG	100.00
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG [3]	FLG KG	Berlin	Germany	FH	100.00
Freiberger Osterweddingen GmbH & Co. KG [3]		Sülzetal	Germany	FLG KG	100.00
Freiberger Polska Sp.z o.o.		Warszawa	Poland	FIB	99.00
				FF	1.00
Freiberger UK Ltd.		Spalding	United Kingdom	FIB	100.00
Freiberger USA Inc.	FLU	Parsippany	Germany	FIB	100.00
HASA GmbH [2]		Burg	Germany	FLG KG	100.00
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.		Oberhofen	Austria	FIB	100.00
Richelieu Foods Inc.	RF	Braintree	USA	RH	100.00
Richelieu Group LLC		Braintree	USA	RF	100.00
Richelieu Holdco Inc.	RH	Braintree	USA	FLU	100.00
Sandhof Limited		Westhoughton	United Kingdom	FIB	100.00
Stateside Foods Ltd.		Westhoughton	United Kingdom	SL	100.00
Willow Foods LLC		Braintree	USA	RF	100.00
Division starch					
AGRANA Stärke GmbH	AS	Wien	Austria	AB	98.91
				ASM	1.09
S.C. A.G.F.D. Tandarei S.r.l.		Tandarei	Romania	AS	100.00
Division PortionPack Europe					
PortionPack Europe Holding B.V.	PPEH	Oud-Beijerland	Netherlands	SZAG	100.00
Collaborative Packing Solutions [Pty] Ltd		Johannesburg	South Africa	PPEH	75.00
CustomPack Ltd		Telford / Shropshire	United Kingdom	SSL	100.00
Elite Portion Pack Belgium NV		Herentals	Belgium	PPEH	100.00
				PPH	0.00
Hellma Gastronomicky Servis Praha spol. s.r.o.		Praha	Czech Republic	PPEH	100.00
Hellma Gastronomie-Service GmbH [2]		Nürnberg	Germany	PPEH	100.00
Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H		Wien	Austria	PPEH	100.00
PortionPack Holland B.V.	PPH	Oud-Beijerland	Netherlands	PPEH	100.00
SAES The Portion Company, S.L.		La Llagosta (Barcelona)	Spain	PPEH	100.00
Portion Solutions Limited	PSL	Telford / Shropshire	United Kingdom	PPEH	100.00
Van Oordt Drukkerij B.V.		Oud-Beijerland	Netherlands	VOP	100.00
Van Oordt Landgraaf B.V.		Landgraaf	Netherlands	PPH	100.00
Van Oordt the portion company B.V.	VOP	Oud-Beijerland	Netherlands	PPH	100.00

	Shortcut	Location	Country	Direct shareholder	%
CropEnergies segment					
CropEnergies AG	CEAG	Mannheim	Germany	SZAG	69.19
Biowanze S.A.		Bruxelles	Belgium	CEAG	100.00
Compagnie Financière de l'Artois SAS	CF	Loon-Plage	France	CEAG	100.00
CropEnergies Beteiligungs GmbH	CEBet	Mannheim	Germany	CEAG	100.00
CropEnergies Bioethanol GmbH	CEB	Zeitz	Germany	CEBet	85.00
				CEAG	15.00
Ensus UK Limited		Yarm	United Kingdom	CEBet	100.00
RYSSEN ALCOOLS SAS	RYS	Loon-Plage	France	CF	100.00
Ryssen Chile SpA		Lampa, Santiago de Chile	Chile	RYS	100.00
Fruit segment					
Division fruit preparations (AGRANA Fruit)					
AGRANA Fruit S.A.S.	AF	Mitry-Mory	France	FA	100.00
ARANA Fruit Algeria Holding GmbH		Wien	Austria	AIV&A	55.00
AGRANA Fruit Argentina S.A.		Buenos Aires	Argentina	AF	91.76
				AFSS	8.24
AGRANA Fruit Australia Pty Ltd.	AF Aus	Sydney	Australia	AF	100.00
AGRANA Fruit Austria GmbH	AFA	Gleisdorf	Austria	AF	99.98
				AIV&A	0.02
AGRANA Fruit Brasil Indústria, Comércio, Importacao e Exportacao Ltda.		Cabreúva	Brazil	AF	99.99
				AFA	0.01
AGRANA Fruit Dachang Co., Ltd.		Dachang	China	AF	75.00
				AFK	25.00
AGRANA Fruit France S.A.S.		Mitry-Mory	France	AF	100.00
AGRANA Fruit Germany GmbH		Konstanz	Germany	AF	100.00
AGRANA FRUIT INDIA PRIVATE LIMITED		Pune	India	AF	99.99
				AFSG	0.01
AGRANA Fruit Istanbul Gida Sanayi ve Ticaret A.S.		Istanbul	Turkey	AF	100.00
AGRANA Fruit (Jiangsu) Company Limited		Xinbei Zone, Changzhou	China	AF	100.00
AGRANA Fruit Korea Co. Ltd.	AFK	Seoul	South Korea	AF	100.00
AGRANA Fruit Latinoamerica S. de R.L. de C.V.		Michoacan	Mexico	AF	99.99
				AFSG	0.01
AGRANA Fruit Luka TOV		Vinnitsa	Ukraine	AF	99.97
AGRANA Fruit Management Australia Pty Limited		Sydney	Australia	AF Aus	100.00
AGRANA Fruit México, S.A. de C.V.		Michoacan	Mexico	AFUS	100.00
AGRANA Fruit Polska SP z.o.o.		Ostroleka	Poland	AF	100.00
AGRANA Fruit Services GmbH	AFSG	Wien	Austria	AF	100.00

	Shortcut	Location	Country	Direct shareholder	%
AGRANA Fruit Services S.A.S.	AFSS	Mitry-Mory	France	AF	100.00
AGRANA Fruit South Africa (Proprietary) Ltd.		Johannesburg	South Africa	AF	100.00
AGRANA Fruit Ukraine TOV		Vinnitsa	Ukraine	AF	99.80
AGRANA Fruit US, Inc.	AFUS	Brecksville	USA	AF	100.00
AGRANA Nile Fruits Processing SAE		Qalyoubia	Egypt	AF	51.00
Dirafrost FFI N. V.	DFFI	Lummen	Belgium	AF	100.00
Dirafrost Maroc SARL		Larach	Marocco	DFFI	100.00
Financière Atys S.A.S.	FA	Mitry-Mory	France	AIV&A	100.00
o.o.o. AGRANA Fruit Moscow Region		Serpuchov	Russia	AF	100.00
SPA AGRANA Fruit Algeria [1]		Akbou	Argentina	AFAH	48.97
Yube d.o.o.		Požega	Serbia	DFFI	100.00
Division fruit juice concentrates (AUSTRIA JUICE)					
AUSTRIA JUICE GmbH	AJU	Allhartsberg	Austria	AIV&A	50.01
AGRANA JUICE (XIANYANG) CO., LTD		Xianyang City	China	AJU	100.00
AGRANA Juice Sales & Marketing GmbH	AJS&M	Bingen	Germany	AJU	100.00
AUSTRIA JUICE Germany GmbH		Bingen	Germany	AJS&M	100.00
AUSTRIA JUICE Hungary Kft.		Vásárosnamény	Hungary	AJU	100.00
AUSTRIA JUICE Poland Sp. z.o.o		Chelm	Poland	AJU	100.00
AUSTRIA JUICE Romania S.r.l.		Vaslui	Romania	AJU	100.00
AUSTRIA JUICE Ukraine TOV		Vinnitsa	Ukraine	AJU	100.00
Fruit other					
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	AIV&A	Wien	Austria	AB	98.91
				ASM	1.09

TABLE 116

[1] Majority of voting rights.
[2] By utilization of the exemption provision of Art. 264, section 3 of the German Commercial Code.
[3] By utilization of the exemption provision of Art. 264b of the German Commercial Code.

II. Joint ventures / associated companies (consolidated at equity)

	Shortcut	Location	Country	Direct shareholder	%
Sugar segment					
Business unit sugar					
Division Südzucker and sales companies					
Maxi S.r.l.		Bolzano	Italy	SZH	50.00
Division AGRANA sugar					
AGRANA Betain					
Beta Pura GmbH		Wien	Austria	ASM	50.00
Sugar Bosnia					
„AGRAGOLD“ d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00
AGRAGOLD d.o.o.		Zagreb	Croatia	ASB	100.00
AGRAGOLD dooel Skopje		Skopje	Northern Macedonia	ASB	100.00
AGRAGOLD trgovina d.o.o.		Ljubljana	Slovenia	ASB	100.00
AGRANA Studen Sugar Trading GmbH		Wien	Austria	ABIH	50.00
AGRANA-STUDEN Albania sh.p.k.		Tirane	Albania	ASB	100.00
AGRANA-STUDEN Beteiligungs GmbH	ASB	Wien	Austria	ABIH	50.00
AGRANA-STUDEN Kosovo L.L.C.		Prishtina	Kosovo	ASB	100.00
Company for trade and services AGRANA-STUDEN Serbia d.o.o. Beograd		Beograd	Serbia	ASB	100.00
STUDEN-AGRANA Rafinerija Secera d.o.o.		Brčko	Bosnia-Herzegovina	ASB	100.00
Sugar other					
ED&F MAN Holdings Limited		London	United Kingdom	SZH	34.55
Special products segment					
Division starch					
GreenPower Services Kft.		Szabadegyháza	Hungary	HK	100.00
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	HK	Szabadegyháza	Hungary	AS	50.00
CropEnergies segment					
CT Biocarbonic GmbH		Zeitz	Germany	CEBet	50.00

TABLE 117

III. Companies of minor importance and other investments > 20 % (not consolidated)

	Shortcut	Location	Country	Direct shareholder	%
Affiliated companies (not included)					
Sugar segment					
Division AGRANA sugar					
Sugar Bosnia					
AGRANA Croatia d.o.o.		Zagreb	Croatia	AZ	100.00
Sugar other					
Açúcar e Álcool do Sul Participações Ltda.		São Paulo	Brazil	SZH	100.00
				AIH	0.00
Arbeitsgemeinschaft für Versuchswesen und Beratung im Zuckerrübenanbau Zeitz GmbH		Kretzschau	Germany	SZAG	80.00
Südtrans GmbH		Mannheim	Germany	SZAG	100.00
Südzucker International GmbH		Ochsenfurt	Germany	SZH	100.00
Südzucker Reise-Service GmbH		Mannheim	Germany	SZAG	100.00
Südzucker Verkauf GmbH	SZV	Mannheim	Germany	SZH	100.00
Special products segment					
Division starch					
AGRANA Amidi srl		Sterzing (BZ)	Italy	AS	100.00

	Shortcut	Location	Country	Direct shareholder	%
Joint ventures / associated companies (not included)					
Sugar segment					
Division business unit sugar					
Sugar Belgium					
Food Port N.V.		Tienen	Belgium	RT	35.71
Sugar France					
Sucrerie et Distillerie de Souppes-Ouvré Fils S.A.		Paris	France	SLS	44.50
Sugar other					
Felix Koch Offenbach Couleur und Karamel GmbH		Offenbach	Germany	SZH	25.10
Liquid Feed Europe Holding B.V.		Oud-Beijerland	Netherlands	SZH	50.00
Liquid Feed France S.A.S.		Cagny	France	LFEH	100.00
Maritime Investment Holdings Pte. Ltd		Singapore	Singapore	SZH	25.00
Division agriculture					
Zschortauer-Glesiener Rübenrode GmbH		Schkeuditz	Germany	LOB	45.83
Special products segment					
Division BENEO					
INVITA Australia PTE Ltd		Balgowlah	Australia	BP	35.00
Division PortionPack Europe					
Collaborative Blending Solutions Proprietary Limited		Johannesburg	South Africa	CoSo	49.00
Other participations > 20% (not included)					
Sugar segment					
Division business unit sugar					
Sugar France					
GARDEL S.A.		Le Moule	France	SLS	24.28
S.C.I.C.A ROYE DESHYDRATATION S.A.		Roye	France	SLS	20.21
Division AGRANA sugar					
Sugar Hungary					
Cukoripari Egyesülés		Budapest	Hungary	MCeF	44.27

TABLE 118

(39) Proposed appropriation of earnings

Retained earnings of Südzucker AG amount to € 47.3 million. The executive board proposes that a dividend of € 0.20 per share be distributed and be appropriated as follows:

		2019/20	2018/19
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	€	6,415,315.49	86,665.71
Retained earnings	€	**47,251,973.89**	**40,923,324.11**

TABLE 119

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 on 16 July 2020; the dividend is expected to be paid on 21 July 2020.

(40) Events after the balance sheet date

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

AGRANA Stärke GmbH acquired Marroquin Organic International, Inc. in Santa Cruz, USA, on 1 March 2020. The trading company specialized in organic products serves B2B customers and purchases a large part of its product portfolio from AGRANA Stärke.

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, 22 April 2020
THE EXECUTIVE BOARD

DR. NIELS PÖRKSEN
(CEO)

DR. THOMAS KIRCHBERG

THOMAS KÖLBL

JOHANN MARIHART

The financial statements and the management report of Südzucker AG, prepared in accordance with German accounting principles and upon which PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has issued an unqualified auditors' report, will be submitted to the operator of the Federal Gazette (Bundesanzeiger Verlagsgesellschaft mbH, Cologne) and published in the Federal Gazette. The financial statements and the management report can be obtained from the company on request.

INDEPENDENT AUDITOR'S REPORT

To Südzucker AG, Mannheim

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of Südzucker AG, Mannheim, and its subsidiaries (the Group), which comprise the balance sheet as at 29 February 2020, the statement of comprehensive income, the statement of changes in shareholder's equity and the cash flow statement for the financial year from 1 March 2019 to 29 February 2020, 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 2019 to 29 February 2020. 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 29 February 2020, and of its financial performance for the financial year from 1 March 2019 to 29 February 2020, 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 2019 to 29 February 2020. 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 EUR 739.5 million is reported under the "Intangible assets" balance sheet item. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. On this basis, the Company carries out impairment tests once a year or if there are indications that goodwill may be impaired. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. The measurements for each group of cash-generating units are derived from the current five-year plan adopted by the executive directors and approved by the supervisory board. The discount rate used is the weighted cost of capital for the respective group of cash-generating units. 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 165.7 million are reported under the "Other provisions" balance sheet item. These concern litigation under market regulation proceedings, proceedings relating to operational contractual relationships and antitrust law risks, including fines and damages. With respect to the pending court proceedings, the executive directors now assume that legally binding rulings will not be made until after several years and therefore an outflow of resources is not expected within the next twelve months. 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 corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (except for the remuneration report)
- the non-financial group statement pursuant to § 315b Abs. 1 HGB included in section „ Corporate governance and responsibility " of the group management report including the related disclosures integrated in the group management report

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

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 July 2019. We were engaged by the supervisory board on 18 July 2019. We have been the group auditor of the Südzucker AG, Mannheim, without interruption since the financial year 2003/2004.

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

German Public Auditor Responsible for the Engagement

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

Frankfurt am Main, 22 April 2020
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

MICHAEL CONRAD
WIRTSCHAFTSPRÜFER
(GERMAN PUBLIC AUDITOR)

CHRISTINA PÖPPERL
WIRTSCHAFTSPRÜFERIN
(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), when collecting and presenting the material data that relate to its business activities.

Organizational and content related reporting bounderies

To the extent available, the tables and graphs include data from four previous years. If this is not the case, 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 sites.

In the sugar segment, these are still the sugar factories in the EU and INSTANTINA Nahrungsmittel- und Produktionsgesellschaft m.b.H., Vienna, Austria.

For the special products segment, the report covers unchanged the production locations of the BENEO, Freiberger and starch divisions.

All production locations remain included in the CropEnergies segment.

In the fruit segment, the group of production locations included was supplemented by the fruit preparations company in India, Changzhou City, China, which began production at the end of the 2018/19 financial year, and the fruit juice concentrate location in Nagykálló, Hungary, acquired during the 2018/19 financial year. All production locations worldwide are thus included.

Content related boundaries

(1) Assessment of suppliers regarding human rights aspects, work practices and environmental factors

Because of the importance of agricultural raw materials for production, Südzucker restricts the report to agricultural raw material suppliers (sugar beets, 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.

Energy flows at the multipurpose sites are attributable to various segments. Segment-based reporting made it necessary to make appropriate adjustments when compiling data in order to avoid double counting emissions as Scope 1 and Scope 2.

(3) Water withdrawal and water 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, emissions, water withdrawal and supply relate to the products and byproducts.

Report profile and validation

The sustainability reporting was again integrated into the financial report in fiscal 2019/20. 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	32
102-2	Activities, brands, products, and services	Cover flap text
102-3	Location of headquarters	32
102-4	Location of operations	Cover flap text
102-5	Ownership and legal form	29
102-6	Markets served	65, 74, 79, 84
102-7	Scale of the organization	Cover flap text
102-8	Information on employees and other workers	45 ff
102-9	Supply chain	42 ff
102-10	Significant changes to the organization and its supply chain	–
102-11	Precautionary Principle or approach	37 ff, 92 ff
102-12	Voluntary membership in external initiatives	39
102-13	Membership of associations	51
Strategy		
102-14	Statement from senior decision-maker	15 ff
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	34–51, 106 f
Governance		
102-18	Governance structure	20 ff, 32 ff
Stakeholder engagement		
102-40	List of stakeholder groups	37
102-41	Collective bargaining agreements	49
102-42	Identifying and selecting stakeholders	37 f
102-43	Approach to stakeholder engagement	37 f
102-44	Key topics and concerns raised	37 ff

GRI	Description	Page
Reporting practice		
102-45	Entities included in the consolidated financial statements	215
102-46	Defining report content and topic Boundaries	215
102-47	List of material topics	37 ff
102-48	Restatements of information	–
102-49	Changes in reporting	215
102-50	Reporting period	01.03. – 28./29.02.
102-51	Date of most recent report	24. April 2019
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	215
102-55	GRI content index	216 ff
102-56	External assurance	219
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundary	32 – 51, 215 f
103-2	The management approach and its components	32 – 51, 215 f
103-3	Evaluation of the management approach	32 – 51, 215 f
GRI 200: Topic-specific standards: economic		
Economic performance		
201-2	Financial implications and other risks and opportunities due to climate change	95 ff
Procurement practices		
204-1	Proportion of spending on local suppliers	50
Anti-corruption		
205-1	Operations assessed for risks related to corruption	106 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	97 f
GRI 300: Topic-specific standards: environmental		
Materials		
301-1	Materials used by weight or volume	42 ff
Energy		
302-3	Energy intensity	41, 71 f, 77 f, 82, 86
Water		
303-1	Water withdrawal by source *Omissions: Water withdrawal is not subdivided into categories because this data is currently not completely available within the group.*	41, 72, 78, 83, 87
Emissions		
305-4	GHG emissions intensity	41, 71 f, 77 f, 82, 86
Effluents and waste		
306-1	Water discharge by quality and destination	41, 72, 78, 83, 87
306-2	Waste by type and disposal method	42, 73, 78, 83, 87
Supplier environmental assessment		
308-1	New suppliers that were screened using environmental criteria	42 f
308-2	Negative environmental impacts in the supply chain and actions taken	42 ff

[1] No major corruption cases have been reported in the year under review.

GRI	Description	Page
GRI 400: Material topics – social		
Employment		
401-1	New employee hires and employee turnover *Omissions: Data on employee turnover is not categorized by region as this information is considered confidential.*	47
Occupational health and safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities *Omissions: For information collected concerning on-the-job accidents, gender-specific data are withheld because of the Data Protection Act. Since Südzucker has very little influence on the reported statistics; for example because of regional laws, neither is the information subdivided by region. For reasons of confidentiality, sick leave statistics are only provided at the group level. Neither are data regarding work-related illnesses collected. This is usually the responsibility of the trade associations. Accident statistics for associated partner companies are currently not collected.*	48 f
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.*	20 f, 45 ff, 193 f
Human rights assessment		
412-1	Operations that have been subject to human rights reviews or impact assessments	51
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414-1	Operations that have been subject to human rights reviews or impact assessments	42 f
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416-1	Assessment of the health and safety impacts of product and service categories	49 f
Marketing and labeling		
417-2	Incidents of non-compliance concerning product and service information and labeling	2019/20: zero

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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 1 HGB ("Handelsgesetzbuch": "German Commercial Code") of Südzucker AG, Mannheim, (hereinafter the "Company") for the period from 01 March 2019 to 29 February 2020 (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 control 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 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 01 March 2019 to 29 February 2020 has 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 assurance report in German language, which is authoritative. The following text is a translation of the independent assurance 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 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 01 March 2019 to 29 February 2020 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, 22 April 2020

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

MICHAEL CONRAD
WIRTSCHAFTSPRÜFER
[GERMAN PUBLIC AUDITOR]

PPA. THOMAS GROTH
WIRTSCHAFTSPRÜFER
[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.

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