Regarding agenda item 10:

Executive Board's report to the Annual General Meeting on the authorisation to issue convertible and/or warrant bonds with the option to exclude subscription rights and the creation of conditional capital ("Conditional Capital I") with amendment of the Articles of Association pursuant to sections 221 (4) sentence 2, 186 (4) sentence 2 AktG

The authorisation proposed under agenda item 10 provides for the issue of convertible and/or warrant bonds with a total nominal amount of up to €500,000,000.00 with conversion or option rights or obligations on Südzucker AG shares with a proportionate amount of the share capital of up to €15,000,000.00. Should this authorisation be fully utilised, convertible or warrant bonds (including all options provided for in the authorisation, together "bonds") could be issued, which entitle or oblige the holders to subscribe to shares corresponding to a pro rata amount of approximately 7.3% of the company's current share capital. The authorisation is limited to five years until 12 July 2028.

Advantages of the financing instrument

Adequate capital resources are an essential basis for the further business development of the company, for sustainable and strategically sensible growth and for a successful market presence. Depending on the prevailing market situation, the issue of bonds enables the company to take advantage of attractive financing opportunities and conditions in order to provide the company with capital at a relatively low interest rate. The company shall benefit from the conversion and/or option premiums generated. New investor groups can also be reached by issuing convertible and/or warrant bonds, if necessary in conjunction with other instruments such as a capital increase.

For reasons of flexibility, the company shall also be able to issue the bonds via its affiliated companies within the meaning of sections 15 et seq. AktG, in which the company directly or indirectly holds an interest of at least 90%, and, depending on the market situation, may make use of the German capital market or international capital markets and issue the bonds not only in Euros but also in the legal currency of an OECD country.

The terms and conditions of the bonds should also be able to provide for a conversion or warrant obligation at the end of the term or at another point in time or exchange rights of Südzucker AG or the other issuing company, in particular rights to replace the performance originally owed under the terms and conditions with shares of Südzucker AG (also as a right to tender, right to substitute or redemption option). This broadens the scope for the design of such financing instruments. In addition, the issuance of bonds is to be made possible for which Südzucker AG or the other issuing company can exercise a conversion right after the issuance of the bond by declaration to the bond creditors, on the basis of which no-par value shares of Südzucker AG are to be delivered in whole or in part instead of the performance originally vested in the bond. This design option makes it possible to react flexibly to changes in the general conditions between the issuance and the maturity of such a bond in a way that preserves liquidity.

Conversion or option price

The conversion or option price for a no-par value share of Südzucker AG may not fall below 80% of the average closing auction price of the no-par value shares of Südzucker AG in Xetra trading (or in a functionally comparable successor system replacing the Xetra system) on the three trading days on the Frankfurt Stock Exchange prior to the date of the resolution by the Executive Board to issue the bonds. Should the shareholders be entitled to a subscription right to the bond, the option is alternatively granted to determine the conversion or option price for a Südzucker AG no-par value share on the basis of the average closing auction price of the Südzucker AG no-par value share in Xetra trading (or in a functionally comparable successor system replacing the Xetra system) during the three stock exchange trading days, on which the subscription rights are traded on the Frankfurt Stock Exchange, with the exception of the last two stock exchange trading days of subscription rights trading, whereby this must also be at least 80% of the determined value. In the case of bonds with a conversion or warrant obligation or a conversion right of Südzucker AG or the other issuing company, the conversion or option price may alternatively be based on the stock exchange price of the no-par value share of Südzucker AG at the time the conversion or option price is determined in accordance with the bond conditions, even if this price is below the above-mentioned minimum price. However, section 9 (1) and section 199 (2) AktG remain unaffected.

Notwithstanding section 9 (1) and section 199 (2) AktG, the conversion or option price may be adjusted on the basis of an anti-dilution or adjustment clause in accordance with the respective bond conditions, in particular if there are changes in the capital of the company during the term of the bonds, such as a capital increase or capital reduction or a share split. In addition, dilution protection or adjustments may be provided for in connection with dividend payments, the issuance of further convertible and/or warrant bonds, conversion measures and in the case of other events affecting the value of the conversion and/or option rights or obligations or conversion rights that occur during the term of the bonds (such as, for example, a third party acquiring control). Dilution protection or adjustments can be provided for in particular by granting subscription rights, by changing the conversion or option price and by changing or granting cash components.

Authorised capital, treasury shares, cash settlement, variable terms and conditions

The bond conditions may provide for or permit that, in the event of the exercise of conversion or option rights or the fulfilment of the corresponding obligations, shares from the company's treasury shares or authorised capital may also be granted. In order to further increase flexibility, the bond conditions may also provide for or permit the company not to grant no-par value shares of Südzucker AG to the holder of a conversion or warrant or corresponding obligor in the event that the conversion or option right is exercised or the corresponding obligations are fulfilled, but to pay the equivalent value in cash. Such conditions enable the company to obtain funding close to the capital market without actually requiring a capital measure under company law. This takes into account the fact that an increase in the share capital in the future at the time of exercising the conversion or option rights or the fulfilment of corresponding obligations, may be unwelcome. Apart from that, the use of the cash payout option protects the shareholders from a decrease in their shareholding ratio as well as from the dilution of the asset value of their shares, as no new shares are issued. In accordance with the bond conditions, the cash equivalent to be paid corresponds in this case to the average closing auction price of Südzucker AG's no-par value shares in Xetra trading (or in a functionally comparable successor system replacing the Xetra system) on the Frankfurt Stock Exchange during the three to twenty trading days following the announcement of the cash settlement.

Provision may also be made for the number of shares to be granted upon exercise of the conversion or option rights or after fulfilment of the corresponding obligations, or an exchange ratio in this respect, to be variable and to be rounded up or down to a whole number. In addition, for processing reasons, an additional payment in cash may be stipulated and/or provision may be made for fractional shares to be combined and/or balanced in cash.

Subscription right of shareholders and exclusion of subscription rights

The shareholders shall generally be entitled to a subscription right when convertible and/or warrant bonds are issued. However, in certain clearly defined cases, the Executive Board may, with the consent of the Supervisory Board, exclude the subscription right.

The proposed authorisation to exclude subscription rights in the case of fractional amounts allows the proposed authorisation to be exercised by rounding amounts. This facilitates the settlement of shareholders' subscription rights.

The Executive Board shall also be authorised, with the consent of the Supervisory Board, to exclude subscription rights to future bonds in order to grant subscription rights to the bearers or creditors of conversion and/or option rights to shares in the company or corresponding conversion and/or warrant obligations arising from bonds issued or to be issued by Südzucker AG or companies affiliated with it within the meaning of sections 15 et seq. AktG on the basis of other authorisations to grant subscription rights to bonds to compensate for dilution to the extent to which they would be entitled after exercising these rights or fulfilling these obligations. The exclusion of the subscription right in favour of the bearers or creditors of bonds already issued has the advantage that the conversion or option price need not be reduced for the bonds already issued and provided with their own dilution protection. This allows the bonds to be placed more attractively in several tranches in favour of a higher inflow of funds.

In addition, the Executive Board shall be authorised pursuant to section 221 (4) sentence 2 in conjunction with section 186 (3) sentence 4 AktG, with the consent of the Supervisory Board, to exclude the subscription right if the bonds are issued against cash contributions and the issue price is not significantly lower than the theoretical market value of the bonds determined in accordance with recognised methods, and in particular with actuarial methods. This gives the company the opportunity to take advantage of favourable stock market situations, even at short notice, and to place a bond on the market quickly and flexibly at attractive conditions. In contrast, the issue of bonds with the granting of a subscription right is often less attractive with regard to the increased volatility of the stock markets, as the issue price has to be fixed at a very early point in time in order to preserve the subscription period. This is at the expense of an optimal exploitation of the stock market situation and the value of the bond. This is because favourable conditions that are as close to the market as possible can generally only be set if the company is not bound to them for too long an offer period. As a result of the existing statutory deadlines in the context of a rights issue, a significant safety discount on the price is regularly required. Section 186 (2) AktG does permit publication of the subscription price no later than three days prior to the expiry of the subscription period (and thus, in the case of convertible and/or warrant bonds, the bond conditions). Even then, however, a market risk extending over several days leads to safety discounts within the terms of the bond. Apart from that, a subscription right makes the alternative placement with third parties more difficult due to the uncertainty of the use of the subscription right, and thus causes additional expenses. Ultimately, the length of the subscription period also prevents the company from reacting to changes in market conditions at short notice. This makes it more difficult to raise capital.

In the case of an issue of the bonds for cash with exclusion of subscription rights in corresponding application of section 186 (3) sentence 4 AktG, the interests of the shareholders are safeguarded by issuing the bonds at a price that is not significantly lower than the theoretical market value of the bond. In doing so, the theoretical market value is to be determined according to recognised actuarial methods. When determining the price, the Executive Board and the Supervisory Board will keep the discount from this market value as low as possible, taking into account the respective capital market situation. As a result, the arithmetical value of a subscription right to the bond will fall to close to zero, so that the shareholders will not incur any significant economic disadvantages as a result of the exclusion of the subscription right. However, when carrying out a bookbuilding procedure, for example, the conditions can be set in line with the market, and thus a significant dilution of value can be avoided. In doing so, investors are asked to submit purchase requests on the basis of preliminary bond conditions, specifying, for example, the interest rate deemed to be in line with the market and/or other economic components. In this way, the total value of the bond is determined close to the market and it is ensured that no significant dilution of the value of the shares of the existing shareholders occurs as a result of the exclusion of the subscription right. Shareholders who wish to maintain their share in the company's share capital can do so under approximately the same conditions by purchasing additional shares on the capital market. This ensures that their asset interests are adequately protected.

The arithmetical portion of the share capital attributable to shares to be issued or granted on the basis of bonds issued under this authorisation in analogous application of section 186 (3) sentence 4 AktG with exclusion of the subscription right may not exceed 10% of the share capital, neither at the time that this authorisation becomes effective nor - if this value is lower - at the time it is exercised. The maximum limit of 10% shall include shares (i) that are issued or sold during the term of this authorisation in direct or analogous application of section 186 (3) sentence 4 AktG with the exclusion of subscription rights or (ii) that are issued or are to be issued to service rights issued during the term of this authorisation with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG that entitle or oblige their holder to subscribe to shares. This concerns the issue of new shares from authorised capital, the sale of treasury shares and capital increases with the exclusion of subscription rights in direct or corresponding application of section 186 (3) sentence 4 AktG.

Finally, the possibility of excluding the subscription right shall exist if and to the extent that bonds with conversion or option rights or obligations are issued against contributions in kind. This enables the Executive Board to use bonds as acquisition currency in suitable individual cases, in particular in the context of mergers or the acquisition of companies, parts of companies, operations or shares in companies or other assets. During negotiations, the need may arise to provide bonds rather than money as consideration. This means that the possibility of offering bonds as consideration also creates an advantage in the competition for interesting acquisition targets. The granting of bonds as consideration can also make sense from the point of view of an optimal financing structure. In each individual case, the Executive Board will carefully check whether it will make use of the authorisation to issue bonds with conversion or option rights against contributions in kind with exclusion of subscription rights. It will only do so if this is in the interest of the company and thus of its shareholders.

As already explained above, the Executive Board may only make use of the possibilities to exclude the subscription right insofar as the shares to be issued on the basis of the conversion or option rights or obligations do not exceed in total a pro rata amount of 10% of the share capital, neither at the time of the resolution nor – if this value is lower – at the time of the exercise of these authorisations. The maximum limit of 10% shall include shares (i) which are issued during the term of this authorisation from other authorisations under exclusion of subscription rights or (ii) which are issued or are to be issued to service rights issued during the term of this authorisation under exclusion of subscription rights from other authorisations which entitle or oblige to subscribe to shares. The shareholders are additionally protected against a potential dilution of their shareholding by this limitation of the total volume of an issue of shares from the conditional capital without subscription rights, taking into account any other equity instruments without subscription rights.

Conditional capital

Conditional capital is required in order to be able to service the conversion and/or option rights or obligations associated with the bonds, unless other forms of fulfilment are used for servicing. The issue amount corresponds to the conversion or option price.

Currently, there are no specific plans to use the authorisation to issue convertible and/or warrant bonds. In each case, the Executive Board will carefully examine whether utilisation of the authorisation is in the interest of the company and its shareholders.

At the next Annual General Meeting, the Executive Board will report on the exercise of the authorisation with exclusion of subscription rights.