

# Südzucker AG Mannheim/Ochsenfurt

Management report and financial statements  
dated February 28, 2011



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The numbers in brackets in the report represent the corresponding prior year's figures or item.



# **SÜDZUCKER AG MANNHEIM/OCHSENFURT**

## **MANAGEMENT REPORT**

### **FOR THE 2010/11 FINANCIAL YEAR**

#### **ECONOMIC ENVIRONMENT, GENERAL CONDITIONS**

As a result of the comprehensive reform of the EU sugar sector introduced in 2006, the EU went from being the world's second-largest net exporter to one of the world's largest net importers. The reduced production quota of about six million tonnes has caused the EU's dependence on imports to rise sharply and supply security to weaken. In view of this situation, the EU Commission decided in January 2010 that no additional final quota reduction is needed to achieve a structural balance in the European sugar market.

The EU Commission is expecting total sugar production for the 2010/11 sugar marketing year (October 1 to September 30) to reach 15.7 (17.5) million tonnes. Quota sugar production is about the same as last year at 13.1 (13.3) million tonnes, but the drop in non-quota sugar production is especially sharp, coming in at 2.6 (4.2) million tonnes. The EU Commission saw no need for a temporary market withdrawal for the 2009/10 and 2010/11 sugar marketing years. Effective October 1, 2009, customs duties for LDCs and ACP countries were eliminated completely. Unlimited market access by the LDCs and ACP countries is to be restricted if necessary with the help of protective clauses. Because prices in the domestic European Market lag rising world market prices, the EU sugar market is currently a less profitable market for the LDCs and ACP countries. In November 2010, tariffs on imports covered by preferential import quotas were suspended until August 31, 2011 as a result of the elevated world market price level. Due to the inadequate supplies of sugar during the 2010/11 sugar marketing year, in February 2011, the EU Commission announced it would allow 0.5 million tonnes of non-quota sugar to be sold in the EU food market. In addition, in March 2011, the EU commission granted an additional duty-free import quota of 0.3 million tonnes. A temporary market withdrawal is not expected for the 2011/12 sugar marketing year.

The new EU sugar policy substantially cut the previous EU world market exports of approximately five to six million tonnes of sugar to only 1.4 million tonnes. The EU Commission completely eliminated export refunds for unprocessed EU quota sugar and sugar in processed products as of the beginning of the 2008/09 sugar marketing year. There are currently no plans for reinstatement.

The export allocation for non-quota sugar was initially set at 1.4 million tonnes for the 2009/10 sugar marketing year. Because of the excellent harvest in the EU and production shortfalls in other parts of the world (Brazil, India), world market prices climbed higher than the EU market price level. This led the

EU Commission to announce in January 2010 an additional export quota of 0.5 million tonnes of non-quota sugar for the 2009/10 sugar marketing year.

Export licenses for only 0.65 million tonnes of sugar have to date been granted for the 2010/11 sugar marketing year. The export license offer was thus significantly oversubscribed, and sugar companies received permits for only 70 % of the volume for which they applied. The WTO limit of 1.4 million tonnes has thus not been utilized to date. In March 2011, the EU decided to grant exports of 0.65 million tonnes of sugar for the 2011/12 sugar marketing year, effective January 1, 2012.

There is a further market opportunity to produce "non-food industrial sugar" as a raw material for bioethanol production, as well as for the chemical, pharmaceutical and fermentation industries. This , non-regulated market is primarily being addressed by particularly competitive producers. The EU Commission has allotted a world market import quota of 0.4 million tonnes per annum since the 2008/09 sugar marketing year for this industrial sugar market. However, very few players took advantage of this import opportunity (2008/09 sugar marketing year: 179,000 t; 2009/10 sugar marketing year: 20,000 t). In view of the world market prices for sugar and high logistics costs, this opportunity will not be attractive in 2010/11 either.

Key sections of the domestic EU sugar market regulations will expire on September 30, 2015. The EU Commission is presently debating what direction the EU's general agricultural policies should take as of 2014. These discussions could lead to the establishment of policies that will apply to the EU sugar market after the Single European Market regulations expire on September 30, 2015. The EU Commission has announced that it will review all options regarding the regulation of EU sugar as of October 1, 2015.

## **BEET HARVEST AND CAMPAIGN CHRONOLOGY**

The weather during the 2010 growing season was unfavourable and variable. It was marked by considerable rain in May and heat waves in mid-June. The good growth conditions during the remainder of the season did not arrive soon enough to enable beet growth to match the prior year's unusually high rate. Südzucker AG's beet cultivation area for the 2010/11 sugar marketing year was about 137,000 (151,000) ha, which yielded 70.0 (75.7) tonnes of beets/ha, down from the year prior. In total, 9.6 (11.4) million tonnes of beets were processed. The polarization was 17.55 (18.15) %, less than the year prior. Südzucker AG's own sugar production fell accordingly, down 0.3 million tonnes to 1.5 (1.8) million tonnes. The campaign started on September 16, 2010 and was completed on January 2, 2011. The average campaign duration for the nine factories was 97 (116) days, shorter than the year prior.



## REVENUE AND OPERATING PROFIT

(in € millions)	2010/11	2009/10
<b>Revenues</b>	<b>1.302,1</b>	<b>1.253,3</b>
Change in work in progress and finished goods inventories and internal costs capitalized	-54,6	-66,1
Other operating income	78,8	80,1
Cost of materials	-835,5	-778,9
Personnel expenses	-166,2	-181,5
Depreciation of intangible assets and fixed assets	-42,2	-43,8
Other operating expenses	-210,6	-192,5
Investment income	127,1	117,0
Interest income	-66,9	-47,3
<b>Income from ordinary activities</b>	<b>132,0</b>	<b>140,3</b>

Sales revenue rose € 48.8 million or 3.9 % in 2010/11, from € 1,253.3 million to € 1,302.1 million. The increases in non-quota sugar exports and industrial sugar sales revenue were not enough to offset the lower sales revenue from quota sugar sales, which was driven by price developments. The additional revenue was primarily from increased trading goods volume associated with sales of sugar from Mauritius, as well as higher service revenue.

Other operating income of € 78.8 (80.1) million includes deferred income from the reversal of accruals for the EU restructuring assistance totaling € 20.4 (20.4) million, income from the sale of fixed assets totaling € 2.2 (8.2) million, income from the reversal of nonrecurring provisions in the amount of € 6.0 (3.2) million, and income from the reversal of accruals totaling € 3.6 (6.3) million.

The increase of € 56.6 million in material costs, which totaled € 835.5 (770.9) million, was primarily due to the higher costs of trading goods associated with sugar imports from Mauritius. This was offset by lower raw material costs because of the reduced beet harvest compared to last year.

Personnel expenses fell by 8.4 % to € 166.2 (181.5) million, which was due in part to the adaptation of the balance sheet to the requirements of the German Accounting Law Modernization Act (BilMoG). Whereas in the past, additions to pension accruals had been accounted for entirely under personnel expenses, as of the 2010/11 business year the imputed interest in the amount of € 20.0 million is recognized in the financial result. The number of workers fell slightly, to 2,308 (2,331).

Depreciation was € 42.2 (43.8) million, down from the year prior.

Other operating expenses came in higher than the year prior at € 210.6 (192.5) million. Losses from the sale of fixed assets rose to € 4.0 (1.9) million and additions to accruals totaled € 39.5 (10.1) million.

Among other things, the accruals were for legal risks in connection with value-added tax back payments for sugar delivered to Italy between 1994 and 1997, and risks associated with contract obligations.

The net interest expense of -€ 66.9 (-47.3) million was € 19.6 million below the prior year's level, largely due to the adaptation of the balance sheet accounting to the requirements of the German Accounting Law Modernization Act (BilMoG). The interest expense item for the first time includes interest expenses related to imputed interest on long-term accruals totaling € 21.3 million, most of which are pension related (€ 20.0 million). This was offset by a significant drop in interest expense associated with the company's external financing due to the reduced borrowing by Südzucker International Finance B.V.

(in € millions)	2010/11	2009/10
<b>Income from ordinary activities</b>	<b>132,0</b>	<b>140,3</b>
Extraordinary result	-7,2	0,0
Taxes on income	-11,1	-26,0
Other taxes	5,6	-1,0
<b>Net earnings for the year</b>	<b>119,3</b>	<b>113,3</b>
Allocations to other retained earnings	-15,1	-28,2
<b>Unappropriated earnings</b>	<b>104,2</b>	<b>85,2</b>

The extraordinary result of € 7.2 (0.0) million is due to the first time application of the revised rules regarding long-term accruals as per BilMoG.

Taxes on income were € 11.1 million, down from € 26.0 million the year prior.

After allocating € 15.1 (28.2) million to revenue reserves, net retained earnings were € 104.1 (85.2) million.

## BALANCE SHEET

Südzucker AG's total balance sheet assets as of February 28, 2011 were € 3,931.9 (3,978.1) million, slightly below last year's level.

The book value of the shares of associated companies was € 2,694.0 (2,696.9) million, down € 2.9 million, mainly due to the sale of Südzucker's interest in one company.

The fixed asset securities of € 40.4 million were reallocated to current assets because they are now provided as a short-term financing option available to the company.

The drop in inventories to € 407.6 (455.0) million is mainly due to lower sugar inventories. The 17.5 % increase in receivables and other assets to € 492.4 (419.0) million was largely caused by the higher lending to associated companies within the group.

Total equity was € 1,664.4 (1,630.4) million. The increase was due to the allocation of € 15.1 (28.2) million to retained earnings. The equity ratio was 42.4 (41.0) %. As was the case at the prior year's

period end, Südzucker AG's fixed assets were completely financed by medium to long-term capital. The equity to fixed assets ratio was 100.1 (103.9) %.

The changed rules regarding valuation of pension accruals stipulated by BilMoG were applied for the first time, which made it necessary to allocate an additional € 94.7 million to pension accruals. Südzucker thus chose the option to spread the associated expense over a maximum of fifteen years.

Liabilities fell by € 125.5 million, going from € 1,695.4 million to € 1,569.9 million. This was primarily due to the reduced borrowing by Südzucker International Finance B.V. The deferred item of € 93.7 (114.3) million on the liability side is primarily comprised of the deferred income from the EU restructuring assistance, which has been proportionally released and recognized as income since fiscal 2008/09. This process will continue until the 2014/15 financial year.

## **INVESTMENTS AND FINANCING**

Investments in fixed and intangible assets during the fiscal year totaled € 44.4 (26.9) million and were mainly for the evaporator station and extraction tower at the Plattling factory, as well as replacements at all sugar factories.

The company was able to cut its net financial debt to € 976.9 (1,135.9) million. Of the total, € 647.4 (863.5) million is classified as long-term financing comprised mainly of fixed interest bonds from Südzucker International Finance B.V.

Südzucker actively seeks financing from the international capital markets by way of the following financial instruments:

- hybrid capital
- convertible bonds
- bonds and notes
- commercial paper (CP) program



These financial instruments are normally issued via the group's financing company, Südzucker International Finance B.V., based in Amsterdam, Netherlands, and are used throughout the group. A syndicated line of credit supplements the CP program for seasonal campaign financing requirements. Bank credit lines are also utilized to a limited extent for long-term financing. Please refer to the section with the same heading in the group management report for the 2010/11 financial year for notes regarding Südzucker AG's value-based and financial management.

## **EMPLOYEES**

Südzucker AG had 2,308 (2,331) employees on average during the financial year.

## **RESEARCH AND DEVELOPMENT**

Research and development is conducted and coordinated at the Offstein site for Südzucker AG's operations. R&D requirements for the group's companies are also fulfilled here on a contract basis.

Südzucker AG's research, development and engineering services activities focus on developing new food products and concepts to successfully establish these in the market, and on developing custom carbohydrate-based product solutions for industrial applications.

Improving product quality and production processes, product line extensions, evaluating and implementing new technologies and optimizing energy use are also front and center. This is all done with a special emphasis on meeting sustainability criteria.

These activities also support the sales and marketing, procurement and business development departments of Südzucker Group's individual business units.

The tasks range from issues related to agricultural production right through to development in the various product areas, such as sugar and specialty sugar products.

As part of the group's integration process, responsibilities for individual product families are clearly allocated, making it possible to utilize resources in a targeted fashion and shorten development cycles.

Collaborative agreements with research institutes, universities and other companies supplement the group's own work in many areas.

Research and development work is conducted primarily at the Offstein site by a staff of 121 (120) persons.

## **DECLARATION REGARDING CORPORATE MANAGEMENT**

The following is the report on corporate management in accordance with article 289a, para. 1 of the German Commercial Code (HGB) and corporate governance as per item 3.10 of the German Corporate

Governance Code. The declaration regarding corporate management and the corporate governance report are published at Südzucker's Web site [http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Corporate-Governance-Bericht\\_Erklaerung\\_zur\\_Unternehmensfuehrung/](http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Corporate-Governance-Bericht_Erklaerung_zur_Unternehmensfuehrung/)

## **CORPORATE GOVERNANCE**

Corporate governance aims to ensure that companies are managed and controlled responsibly and that they provide lasting shareholder value. Effective and efficient cooperation between the executive and supervisory boards ensures transparency and forms the basis to keep shareholders and the public comprehensively informed in a timely manner. The corporate governance report published here by Südzucker AG Mannheim/Ochsenfurt complies with legal requirements and the German Corporate Governance Code rules as per the 2010 amendment.

Effective 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 German Corporate Governance Code and compliance is a key executive board and supervisory board responsibility.

Südzucker regards the current version of the German Corporate Governance Code dated May 26, 2010 as largely balanced, practical and of a high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles. We comply with the recommendations of the code with the exception of the items outlined in the declaration of compliance.

**Declaration of compliance for 2010** | The mutual declaration of compliance by the executive board and supervisory board for 2010 and prior years is posted on Südzucker's Web site (<http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Entsprechenserklaerung/>). The current declaration reads as follows:

"The executive board and the supervisory board adopted the resolution on November 25, 2010 to issue the following Declaration of Compliance to the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG):

Südzucker AG Mannheim/Ochsenfurt complies with and will continue to comply with the recommendations of the version of the Government Commission German Corporate Governance Code dated May 26, 2010, with the following exceptions:

Paragraph 2.3.3 – Absentee ballot at the annual general meeting

The Südzucker AG Mannheim/Ochsenfurt –articles of incorporation have to date not provided the option of permitting an absentee ballot to be cast at the annual general meeting. We can thus not comply with the recommendation to provide shareholders with absentee ballots.

#### Paragraph 4.2.3 Severance payment cap for executive member contracts

Executive board members' contracts contain no provision for a severance payment cap, nor do we see a need for this in future, particularly since there are significant legal concerns regarding such contractual clauses.

#### Paragraph 4.2.4 - Individual executive remuneration

Shareholders at the annual general meeting of Südzucker AG Mannheim/Ochsenfurt resolved on July 20, 2010 to waive disclosure of individual remuneration of executive board members for five years.

#### Paragraph 5.3.3 - Supervisory board nominating committee

We do not see a need to create an additional nominating committee that would compile a list of recommended candidates for the supervisory board. It is more appropriate that all supervisory board members have the opportunity to participate equally in finding supervisory board candidates, as has been the practice to date.

#### Paragraph 5.4.1 - Diversity goals for composition of the supervisory board

The supervisory board endeavors to achieve diversity in its composition and in particular, appropriate representation by women. However, the supervisory board will continue to prioritize the qualifications of the candidates being considered for office rather than their gender in making its decisions on its composition.

#### Paragraph 5.4.6 - Individual supervisory board remuneration

We disclose the supervisory board's remuneration broken down into fixed and performance-based components. Südzucker AG Mannheim/Ochsenfurt has no stock option program. We do not follow the code's recommendation regarding disclosure of individual supervisory board members' remuneration. In our view, the benefits of such practice bear no reasonable relation to the associated invasion of the individuals' privacy. Accordingly, the corporate governance report does not disclose individual supervisory board members' remuneration."

**Remuneration** | Südzucker AG's executive board compensation consists of a fixed annual salary, a variable compensation, a company pension plan based on a share of the annual fixed salary and payments in kind. The remuneration does not include any share-based compensation or comparable long-term remuneration components. Since the Act on the Appropriateness of Management Board Compensation (VorstAG) came into force, the executive committee has prepared the executive board's compensation, which is defined by the full supervisory board and reviewed at regular intervals. Article 87, para. 1 of the German Stock Corporation Act, revised by VorstAG, states that the remuneration system for listed companies must be based on sustainable corporate growth and that variable compensation components must therefore be based on terms longer than one year. The new rules regarding the variable component of the executive board's compensation were applied at the time of the regular salary adjustment on January 1, 2011. The VorstAG requirement regarding a term over several

years is met by basing the variable component on the average dividend of the three previous financial years, starting with 2011/12.

In fiscal 2010/11, Südzucker AG's payments to its executive board totaled € 2.6 (2.9) million. The variable incentive will be 43 (38) % of cash compensation. It is calculated on the basis of the dividend amount still to be approved by the shareholders at the 2011 annual general meeting. Members of the executive boards of subsidiaries were paid € 1.3 (1.0) million. Executive board members' pensions are based on a percentage of their fixed salaries. Pension provisions for members of the executive board were increased by € 2.4 (1.6) million.

The supervisory board is compensated in accordance with article 12 of Südzucker AG's articles of incorporation. In addition to reimbursement of cash and value added tax outlays arising from supervisory board activities, each member of the supervisory board is entitled to a fixed cash payment of € 1,000 at the end of each financial year plus a variable remuneration component of € 1,000 for each € 0.01 of distributed dividends on ordinary shares exceeding € 0.04. The chairman is paid twice this amount, and the chair's deputy and chairs of the supervisory board committees receive 1.5 times this amount. Committee members receive 1.5 times the regular remuneration assuming the respective committee has convened during the financial year. Total remuneration of Südzucker AG's supervisory board for all activities was € 1.6 (1.3) million in 2010/11; subsidiaries accounted for € 0.2 (0.2) million of the total remuneration.

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.

**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, para. 2 of the German Stock Corporation Act, revised by VorstAG, 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. Südzucker adjusted the deductible for supervisory board members in accordance with the new statutory requirements.

**Shares held by members of the executive and supervisory boards; security transactions subject to disclosure according to article 15a of the Securities Trade Act** | No member of the executive board or supervisory board owns shares representing more than 1 % of the total share capital of Südzucker AG. 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 2010/11, two persons with ties to a member of the supervisory board acquired a total of 800 shares at an average price of € 16.20 per share.

## **PRINCIPLES OF CORPORATE MANAGEMENT**

**Sustainability and environment** | Since its foundation in the 19th century, Südzucker has had a strong association with agriculture and nature. The company's core competence has always been to refine large volumes of agricultural commodities to produce high quality products for the food industry, end users and industrial applications. Sustainability has thus traditionally been a key part of the company's enduring success and an integral component of its corporate philosophy.

Südzucker Group's sustainability strategy aims to achieve a balance between ecology, economy and social responsibility. Our approach is holistic; that is, we strive to continuously optimize energy and raw material consumption and utilize all byproducts to the fullest extent possible, all along the value-added chain. This starts with the procurement of agricultural commodities, continues through industrial processing and ends with delivery to our customers.

Conserving natural resources and quality leadership start with careful selection of the agricultural commodities we process, such as sugar beets, grain, chicory and fruits. Südzucker demands that its raw material suppliers meet high quality standards. In addition, the company offers farmers advisory services that include, among other things, how to optimize seeding, planting and harvesting methods.

The agricultural raw materials used are primarily sourced from Europe and comply with applicable guidelines for agricultural production methods; for example, the mandatory cross compliance principles prescribed in the EU. These principles include environmental constraints related to farming, which ensure that the cultivation of agricultural products remains sustainable. Furthermore, specific sustainability requirements for biofuel products ensure that biomass for the purpose of producing bioenergy products is not cultivated in areas that are worth protecting, such as primary forests (rain forests) or in a way that negatively impacts biological diversity.

When Südzucker processes agricultural commodities to make sugar, functional food ingredients, bioethanol, starch and fruit products, the company uses an advanced quality management system and modern production technologies to ensure sustainability and maintain quality leadership. We recycle the intermediate and byproducts produced during the manufacturing process. We reintroduce byproducts from the sugar processing such as molasses and sugar beet pellets to the economic cycle in the form of high quality animal feed.

Südzucker distinguishes itself by efficient production processes and modern energy management systems. Co-generation systems and using multiple energy sources underpin the company's above-average energy efficiency. In addition, the majority of the thermal and electric process energy required at the bioethanol facility in Wanze, Belgium, is generated by using the chaff from the wheat delivered to the plant. To date, it is the world's first biomass power station of this particular type.

Südzucker also acts responsibly towards the environment in the area of logistics. Decisions about cultivation and production locations are made to ensure that distances between the farms and sugar factories are as short as possible.

We also ensure that Südzucker achieves quality leadership and food safety by applying strict technical standards such as traceability in all industrial processes right through to the field, and by certifying our processes to recognized standards (ISO 9001: 2008, ISO 22000: 2005, International Food Standard, GMP+, quality and safety).

A sustainable corporate policy can only be realized by achieving long-term economic success. Südzucker's strategy is thus to achieve value oriented, profitable growth, so that it will continue to be able to finance the investment and research projects essential to producing high-quality, safe products.

Ultimately, the sustainability strategy can only be executed by accepting social responsibility. Südzucker has motivated employees who are cognizant of their social responsibilities. The entire corporate hierarchy is required to act accordingly. Among other things, this social responsibility is based on recognizing and adhering to the European sugar industry's code of conduct. The code of conduct sets minimum voluntary standards for subjects such as human rights, education and training, health and safety, remuneration and working conditions and the relationship between employers and employees. The group appoints work safety and environment officers who are responsible for training and maintenance of work safety and environmental standards at all company locations.

**Compliance** | For Südzucker, compliance; that is, operation in accordance with relevant laws and regulations, is a standard part of good corporate management. The purpose of Südzucker's compliance program is to ensure that the company, its management bodies and employees conduct themselves in accordance with applicable laws when requested or forbidden to act. The goal is to keep employees from breaking any laws and to help them apply laws and corporate guidelines properly and professionally.

Of course, Südzucker ensures that all programs are consistent with employee data privacy protection requirements.

Südzucker's group-wide compliance principles are adapted as required to various national and company-specific peculiarities and focus on compliance with antitrust laws, data protection, environmental protection, capital market compliance (particularly insider rights and ad hoc publicity) and prevention of corruption.

Existing Südzucker Group corporate rules were incorporated into the compliance program policies and various parts of the company and activities were integrated into the program.

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

**Compliance – corporate principles** | Südzucker aims to compete successfully through innovation, quality, reliability and fairness. This entails complying with internal rules, as well as statutory regulations. In April 2009, the executive board adopted a series of corporate compliance principles to serve as a guideline. They highlight key issues that are very important in day-to-day practice.

Südzucker applies the laws currently in force and expects no less from its employees and business partners. The corporate principles list key items that are particularly important in practice:

- **Compete fairly**  
Südzucker is fully committed to competing fairly, and especially to complying with antitrust laws.
- **Integrity in business transactions**  
Corruption is not tolerated. Gifts and invitations from suppliers must always be in reasonable proportion to the business relationship. Such gratuities require express approval from the respective supervisor. This applies to all employees who are part of any procurement process. The same principles apply in reverse to employees working in the various sales departments, in relation to our customers.
- **Sustainability principle**  
Südzucker is cognizant of its responsibility to protect the environment, as well as health and safety of people inside and outside the company.
- **Compliance with food and agricultural industry laws**  
Compliance with all relevant national and international laws – especially food and agricultural industry laws – is mandatory.
- **Ensuring equal opportunity in securities trading**  
Every employee is obliged to treat confidentially any internal company information that could impact the company's share price on the stock market.
- **Proper documentation**  
The company's internal control system requires that business processes be adequately documented. Audits must be conducted to ensure that the accounting-related information has been fully and correctly captured.
- **Proper and transparent financial reporting**  
Südzucker commits to providing open and transparent financial reports based on international accounting standards to ensure that all stakeholders are treated equally.
- **Fair and respectful working conditions**  
Every employee is expected to be friendly and to treat colleagues and third parties fairly, professionally and respectfully. Discrimination or harassment of any type are not tolerated.

- Protecting our knowledge advantage and respecting third-party protective rights  
Business secrets must not be passed on to third parties or published. The protective rights of third parties shall be equally respected.
- Separation of company and personal interests  
All employees must always separate their personal interests from those of the company. Only objective criteria shall be applied when making personnel decisions or conducting business with third parties.
- Cooperation with authorities  
Südzucker strives to maintain a cooperative relationship with all governing authorities. Information shall be provided completely, openly, correctly, in a timely manner and in a comprehensible form.

Implementation of the above corporate compliance principles takes into consideration country-specific customs. Employees are encouraged to use the required information sources and to seek advice as needed in order to avoid contravening any rules or laws. All supervisors must organize their area of responsibility to ensure that the corporate compliance principles, the company's internal rules and statutory requirements are adhered to. The compliance officer and compliance representatives in Südzucker Group's various departments ensure that information flow is timely. They are charged with tasks such as training and investigating alleged compliance issues. All employees are obliged to report any violation of corporate compliance principles immediately.

#### **SUPERVISORY BOARD AND EXECUTIVE BOARD OPERATING PROCEDURES**

**General** | 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 five members. The management body independently manages the company's businesses in the interests of the corporation with the aim of generating sustainable value. The duties assigned to the executive board members are outlined in the rules of procedure for the executive board dated January 30, 2003 and are shown in the current organization chart dated October 25, 2010.

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, is also a member of Südzucker AG's executive board and the CFO of Südzucker AG, Thomas Kölbl, is also a member of the executive board of AGRANA Beteiligungs-AG.

Südzucker AG's executive board members are also either members or chairmen 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 rules of procedure of both the executive board and the supervisory board stipulate that decisions are subject to approval by the supervisory board. The chair of the supervisory board coordinates the supervisory board's work, heads the meetings and speaks on behalf of the panel to the outside world.

The executive board submits comprehensive, timely written reports regarding planning, business developments and the group's situation to the supervisory board and meets regularly with the supervisory board to discuss these topics. Risk management and compliance are additional key reporting topics. If necessary, extraordinary meetings are held with the supervisory board to discuss important events. The supervisory board has established rules of procedure for its work, which are in force as per the version dated November 26, 2009. The shareholder representatives and employee representatives always meet separately to prepare the 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. At the last supervisory board elections, held during the annual general meeting of July 24, 2007, the shareholder representatives were elected one at a time as recommended by the German Corporate Governance Code. Since then, there have been four personnel changes. Two employee representatives who retired were succeeded by already elected representatives. The Mannheim district court appointed new members after two further members stepped down. Südzucker ensures that candidates nominated for supervisory board positions have the required knowledge, skills and professional experience to fulfill their duties, and that they meet diversity requirements. Mr. Erwin Hameseder is the supervisory board's and audit committee's financial expert. There are no former Südzucker AG executive board members on the supervisory board. The panel has an adequate number of independent members who have no business or personal relationship with the company or the executive board. The supervisory board term of office is five years and the current term ends at the annual general meeting of 2012.

**Diversity goals** | The supervisory board currently has at least two independent members ("independent members" as defined in item 5.4.2 of the German Corporate Governance Code are persons who have no business or personal relationship with the company or its executive board that would be cause for a conflict of interest), at least two members that would be considered to meet the "internationality" criterion and no women.

As per resolution passed on November 25, 2010, the supervisory board will in future aim for the following diversity targets in its composition, in consideration of the sector, the size of the company and the share of international business activity.

- Maintain the number of independent members at the appropriate level, considered to be two.
- Maintain the number of persons that can be considered to meet the "internationality" criterion at the appropriate level, considered to be two.

The supervisory board will endeavor to include an appropriate number of women. The board has not set a specific target, because the priority for selecting a board member will not be gender, but instead the qualifications of the potential candidates.

The supervisory board's rules of procedure state that supervisory board members must step down from the board at the end of the financial year in which they turn seventy.

The supervisory board will continue to recommend candidates at the annual general meeting who are most suited to sit on a supervisory board whereby the aforementioned diversity goals will be duly considered.

**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 committee consists of four members. The other committees have six members each, with an equal number of shareholder and employee representatives. The duties of the executive and other committees are outlined in the supervisory board rules of procedure and for the audit committee, the audit committee's rules of procedure dated May 19, 2003 apply in addition.

**Shareholders and annual general meeting** | Südzucker AG's shareholders exercise their voting and control rights at a general meeting held at least once a year. At this 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 registers 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 the Internet or to give instructions to Südzucker AG's proxies via the Internet.

**2011 annual general meeting** | The invitation to the annual general meeting scheduled for July 21, 2011, as well as the reports and information required for the resolutions will be published in accordance with the rules of the German Stock Corporation Act and made available on Südzucker AG's Web site ([www.suedzucker.de/de/Investor-Relations/Hauptversammlung/](http://www.suedzucker.de/de/Investor-Relations/Hauptversammlung/)).

**Risk management** | Responsible management of business risks is fundamental to good corporate governance. Südzucker AG's executive board and Südzucker Group's managers have access to group-wide, company-specific reporting and control systems, which enable them to detect, evaluate and manage these risks. The systems are continuously enhanced and adapted to any changes in the underlying framework. The executive board regularly keeps the supervisory board abreast of existing risks and how they evolve. The audit committee deals mainly with supervising the accounting process and verifies the effectiveness of the internal control systems, the risk management process and the internal auditing.

Details regarding risk management are outlined in the "Opportunities and risks" section of the management report.

**Accounting standards and annual audit** | Südzucker AG prepares its annual and interim consolidated statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Südzucker AG's financial statements are prepared in accordance with the German Commercial Code (HGB). The consolidated statements are prepared by the executive board and checked by the auditor, the audit committee and the supervisory board. The audit committee reviews the interim reports and the midyear financial report with the executive board prior to publication.

The consolidated financial statements and Südzucker AG's financial statements were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, the accounting firm elected by shareholders at the 2010 annual general meeting. The audit was carried out in accordance with the International Standards on Auditing (as applicable to the consolidated financial statements), German audit procedures and in consideration of the principles of proper auditing as outlined by Germany's Institute of Public Auditors. It also included an audit of the early warning system for risks and of compliance with the reporting requirements on corporate governance as per article 289a of the German Commercial Code.

As part of the agreement with the auditor, the supervisory board instructed the auditors to immediately report to the supervisory board concerning any possible disqualification or bias issues encountered during the audit, as well as any material findings or events arising during the course of the audit. There was no need to report to the supervisory board in this regard during the audit for the 2010/11 financial year.

**Capital markets and transparency** | Südzucker informs capital market stakeholders and the interested public immediately, regularly and simultaneously about the group's business situation and new facts that come to light. The annual report, the half-year financial report and the interim quarterly reports are published as per the prescribed intervals. Telephone conferences with professional capital market stakeholders are held in conjunction with the quarterly reports. Press releases and notifications as required by capital market regulations, as well as ad hoc announcements if necessary, are used to

communicate current events and new developments. All information is available simultaneously in German and English and is published in form of hard copies and using suitable electronic media such as e-mail and the Internet. Südzucker AG's Web site, [www.suedzucker.de](http://www.suedzucker.de), also offers extensive information about Südzucker Group and Südzucker shares.

**Financial calendar** | The scheduled dates of key recurring events and publications, such as the annual general meeting, the annual report and the interim reports, are summarized in a financial calendar. The calendar is published well in advance and is always available at Südzucker AG's Web site. It is furthermore printed on the cover pages of Südzucker's annual report.

## **INFORMATION REGARDING SHARE CAPITAL AND IMPEDIMENTS TO TAKEOVER AS REQUIRED BY ARTICLES 289, PARA. 4 AND 315, PARA. 4 OF THE GERMAN COMMERCIAL CODE**

As of February 28, 2011, the subscribed capital is valued at € 189.4 million and consists of 189,353,608 bearer shares, each of which represents a notional holding of € 1 per share. The company has no treasury shares as of the period end. Voting rights for the shares may be restricted as per Stock Corporation Act regulations. Under certain conditions, shareholders may not be entitled to vote (article 136 of the Stock Corporation Act). Furthermore, the company is not entitled to voting rights associated with its own shares (article 71 b of the Stock Corporation Act). We are not aware of any contractual restrictions related to voting rights or the transfer of shares.

We received the following notifications regarding Südzucker AG shareholdings exceeding 10 % of the voting rights:

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Ochsenfurt holds a majority interest of about 55 % of the subscribed capital through its own shareholdings and shares held in trust for its owners. Zucker Invest GmbH, based in Tulln/Austria, holds about another 10 % of the subscribed capital.

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.

Executive board members are appointed and dismissed by the supervisory board in accordance with articles 84 and 85 of the German Stock Corporation Act. In accordance with article 5, para. 2 of Südzucker AG Mannheim/Ochsenfurt articles of incorporation in the version dated July 20, 2010 (<http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Satzung/>), the supervisory board determines the number of executive board members and the supervisory board also is authorized to appoint deputy members to the executive board. Article 179 of the German Stock Corporation Act governs any amendments to the articles of incorporation.

Nominal capital was conditionally increased by € 13 million by issuing 13 million new shares. This conditional capital increase was intended to meet demand of holders of the convertible bond issued on December 8, 2003, who may have exercised their conversion right into shares of the company. The conversion right expired on December 8, 2008 according to the conditions of the convertible bond. Since no bondholders exercised their conversion rights before due-date, this conditional capital is thus now superfluous and was canceled by a resolution at the annual general meeting dated July 20, 2010.

A resolution was passed at the annual general meeting dated July 29, 2008 to conditionally further increase nominal capital by € 15 million by issuing 15 million new shares (conditional capital II). The executive board was authorized, with the approval of the supervisory board, to execute this conditional capital increase to the extent required to service conversion or option rights arising from bonus shares, convertible bonds or equity warrant bonds, which may be placed until July 28, 2013. On June 30, 2009, a convertible bond with a face value of € 283.45 million, maturing on June 30, 2016, was placed by Südzucker International Finance B.V., Oud-Beijerland, Netherlands on this basis. To date, no bondholders have exercised their conversion rights.

Shareholders at the annual general meeting of July 21, 2009 voted in favor of approved capital totaling € 15 million (Authorized Capital 2009), in order to give the company more room to maneuver with regard to any capital increases. The executive board is authorized, with approval of the supervisory board, to increase share capital until June 30, 2014 by issuing new shares against cash contributions and/or contributions in kind under exclusion of subscription rights in certain cases. To date, the board has not exercised its right to utilize Authorized Capital 2009.

Shareholders at the annual general meeting on July 20, 2010 gave the executive board the authority to buy back shares of up to 10 % of the company's current total share capital by July 19, 2015 in accordance with article 71 para. 1 item 8 of the German Stock Corporation Act. The shares may be acquired on the open stock market or via a public offer to purchase to all shareholders. The company's own shares may also be charged against net retained earnings or other revenue reserves when acquired for the purpose of cancellation. Among others, the executive board was given the right, subject to approval by the supervisory board, to sell shares it had 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. To date, the board has not exercised its right to buy back shares.

On June 30, 2009, Südzucker placed a convertible bond with a face value of € 283.45 million maturing June 30, 2016. Article 16 of the bond conditions makes provision for bondholders to either demand repayment prior to the maturity date in the event of a change of control or to adjust the conversion price following the change of control. Compensation agreements with members of the executive board or the employees that would come into effect in the event of a change of control do not exist.

Details regarding the executive and supervisory boards' compensation are outlined in the compensation report included in the chapter on corporate management.

## RISK AND OPPORTUNITIES REPORT

### OPPORTUNITIES AND RISK MANAGEMENT

Südzucker is Europe's leading sugar producer. The company's special products (functional food, starch, frozen products and portion packs), CropEnergies and fruit (fruit preparations, fruit concentrates) segments have captured significant market shares in their target sectors. Südzucker Group's business policies aim to safeguard the company's continued existence, continuously earn reasonable returns and systematically and continuously improve shareholder value. Each business field may be exposed to risks due to either the way they manage their business or as a result of external factors. Risk management systems are installed throughout the group to detect and actively manage risks.

**Risk policies** | Südzucker believes a responsible attitude toward opportunities and risks is an important element of a sustainable, value-oriented management system. This philosophy is also demonstrated by taking advantage of opportunities that serve to safeguard and improve the company's competitiveness. Südzucker uses an integrated system for 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 behavior, clear responsibilities, independent risk controlling and internal audits.

**Risk management** | The risk management system is embedded in Südzucker Group's value-oriented management and planning system. The purpose of the risk management system is to detect existing risks early and systematically, to evaluate them and to provide the relevant decision makers with properly organized risk information. This is accompanied by improving the internal transparency of all processes that have an element of risk and creating a culture of risk awareness among all employees. The divisions and group departments take steps to reduce and defuse risks. Südzucker Group's risk management system includes a monitoring system that ensures all planned measures are actually carried out.

Risk assessment is based on both a short and medium-term time frame. The changes in risk parameters are compared to the prior year and to original projections. Risk scenarios related to planning or the current forecast are developed based on current market developments. The risk is evaluated by determining its impact on operating profit or the financial result.

The executive board is responsible throughout the group for detecting risks early and mitigating any risks that threaten the company's survival. The risk management committee supports the board in this task. The managers of the divisions and the group departments are responsible for the risk management systems of the divisions and central departments.

One of the key risk management tasks is to limit risks associated with changing market prices. For example, there are currency related risks associated with sales and procurement processes, as well as group-internal financing, which we counter using hedging transactions within the framework of our currency management system. Other market price risks resulting from commodity and selling prices, as well as interest-rate risks are also countered by selectively using derivatives. The executive board has defined the acceptable instruments in a risk management directive, which also governs hedging strategies, responsibilities, processes and control mechanisms. The hedging instruments are exclusively used to protect the underlying transactions; never for trading or speculation purposes. Financial transactions are only entered into with banks that have a high credit rating.

Adhering to governing laws, corporate guidelines and regulatory standards recognized by the company is an integral part of our corporate culture and as such, the job and duty of each and every employee. We have established a group-wide compliance program to ensure that all employees conduct themselves in accordance with the rules.

**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, management is obliged to ensure that risks are communicated openly and quickly. Employees are required to be aware of and deal with risks proactively. Operative and strategic risks are reported and documented regularly as part of the entire planning, management and reporting process. The executive board and division heads meet regularly to discuss earnings developments and plans and ensure that information flows directly between the parties. Mitigating measures are analyzed and initiated for any operational or strategic risks identified during the sessions. Not only the divisions, but also the group departments regularly report to their respective department heads concerning current developments in their area of responsibility.

**Internal audit** | The group's internal audit department monitors the parent company and group companies. It reports directly to the executive board spokesman and checks and assesses the reliability, cost effectiveness and suitability of the business processes. Its main job is to ensure that the internal controlling and risk management systems are effective.

## RISK CATEGORIES AND INDIVIDUAL RISKS

### Regulatory risks

Any potential changes to international and national trade agreements or agricultural market regulations are proactively analyzed without delay and evaluated within the risk management framework regarding their potential impact on Südzucker Group's earnings, financial and asset situation.

As outlined in the sections "Economic environment, general conditions" of the management report on the segments, Südzucker's business is subject to a variety of legal and political stipulations, both at the national and European level. This can result in additional opportunities; e.g., when sugar export quotas are raised, or the German or European blend ratios for bioethanol are increased. At the same time, changes to this framework can result in additional risks; for example, if the EU were to approve additional duty-free import quotas for sugar as part of new bilateral free-trade agreements or if the blend ratios for bioethanol were reduced for Europe.

### Risks associated with operations

**Availability and price volatility of raw materials** | As a processor of agricultural products, Südzucker is exposed to procurement risks, which can also be affected by weather conditions. As a result – despite their geographic distribution – only limited quantities of agricultural raw materials may be available under certain circumstances. Furthermore, these raw materials may be subject to price fluctuations that cannot be directly passed on to the market. All Südzucker Group segments are exposed to these risks.

Beets compete with other crops when farmers decide what to plant, which represents a procurement risk in the sugar segment. Our beet growers' plans are based on completely fulfilling the quota beet and ethanol beet delivery rights they were issued. The prices and volumes of the raw sugar required for the refineries in France, Romania and Bosnia-Herzegovina are hedged.

To produce bioethanol, CropEnergies needs agricultural products that contain carbohydrates, such as sugar syrup and grain. Price fluctuations on the world agricultural markets directly impact raw material costs.

Because grain price fluctuations normally go hand-in-hand with an equivalent price change for feed and foodstuffs containing protein, CropEnergies is able to partially offset higher raw material costs with increased sales revenues from ProtiGrain® and ProtiWanze® (natural hedge).

In addition, CropEnergies can significantly reduce the impact of any increase in grain prices on raw material costs with forward-looking procurement policies and by using more sugar syrups. Here CropEnergies aims to secure the necessary raw material volumes without delay, particularly for bioethanol orders it has already received.

CropEnergies' business policy will continue to be to mitigate residual risks of raw material price increases by entering into long-term supply agreements and utilizing commodity futures contracts as a



hedge, as well as using alternative raw materials. However, depending on the market price situation, the risk that it will not be possible to secure cost-covering hedging transactions or to pass price increases of raw materials on to bioethanol purchasers cannot be excluded.

Raw material costs are also of key importance to starch production. Some higher commodity costs can be quickly passed on to the customer. Here too, the strategy is to cover the planned requirements by physical supply contracts to the greatest extent possible.

Bad weather and plant diseases can result in very poor harvests of the fruit segment's products and drive commodity costs higher.

The company's global presence in the fruit segment and its knowledge of supply markets enables AGRANA to limit or counter commodity supply bottlenecks and price volatility. AGRANA has established a central purchasing department in the fruit segment, which analyzes the global commodity markets and can respond specifically to commodity bottlenecks and quality variations. Given the different harvest cycles in the main agricultural regions, long-term contracts have been signed with suppliers and customers in order to ensure a steady year-round supply. This ensures consistent high quality, as well as reliable delivery so that production can proceed as planned.

Südzucker counters energy price risks by designing its production plants to be capable of utilizing various energy sources in line with the particular circumstances, with the ultimate goal of minimizing costs. In addition, investments to improve the energy efficiency of the production plants throughout the group are an ongoing priority. Futures contracts are also signed for some of the fuels used during the campaign.

Südzucker Group was allocated sufficient emission certificates for the second trading period of the EU emissions trading scheme, which covers the period from 2008 to 2012. The European emissions trading scheme from 2013 to 2020 has not yet been completely finalized. As far as we can determine at the present time, the emission certificates that will be allocated starting in 2013 will not cover the expected requirement, which will lead to higher production costs.

**Markets and product prices** | The most important markets for sugar, functional food, frozen products, bioethanol, starch and fruit are distinguished by their comparably stable demand. Signs of possible changes in consumer behavior are detected early. Any impact on Südzucker's market position is evaluated and may lead to a revised corporate strategy, such as restructuring or cost and capacity adjustments. Südzucker counters fluctuations in selling prices resulting from competitive pressures by continuously optimizing its cost structures and aiming to be the cost leader.

The sugar segment is exposed to risks such as product price risks resulting from price fluctuations in the world sugar market, the European Union's quota and industrial sugar market, as well as animal feed markets.

Another example of price risk is bioethanol prices in Europe, which are affected by various factors such as supply and demand at the local level, the price level and availability in Brazil and other exporting countries, as well as general political conditions, and may thus fluctuate significantly. CropEnergies uses derivative instruments to a limited extent to hedge against price change risks for delivery contracts that may be affected by fluctuating bioethanol prices.

**Product quality** | One of our stated objectives is to supply customers with safe, high quality products. In order to guarantee this, the company has a quality management system that documents responsibilities, activities and processes. The quality management system covers all processes; from the procurement of raw materials, through the production process itself, to delivery to customers.

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

**IT risks** | The operational and strategic management of our group is largely dependent on sophisticated information technology. We employ qualified internal and external experts and take appropriate technical steps to ensure that the IT systems are properly maintained and optimized. To facilitate these efforts, Südzucker has widely standardized the information systems and processes within Südzucker Group.

**Personnel risks** | Südzucker Group competes intensely with other companies for trained personnel. 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 are aimed at encouraging specialists and managers to stay with the company for the long term. In addition to attractive social benefits and compensation policies, we offer a wide range of opportunities at Südzucker Group, such as advanced and continuing education courses, trainee programs and possibilities to work for various group companies.

**Other operating risks** | Other operating risks that may arise in the production, logistics, research and development areas have no material impact on the company's position. Südzucker mitigates risks by constantly monitoring and continuously improving its business processes.

### **Legal risks**

Südzucker Group is currently not involved in any legal disputes that have a material impact on the group's business situation. However, various lawsuits are pending against Südzucker AG or the group's companies. Accruals are being formed to cover the legal costs for these proceedings. Accruals for the lawsuit risks are formed when the likelihood that the company will be liable and the extent of the liability can be adequately determined. The final outcome of individual proceedings may affect earnings

during a particular reporting period, but the potential associated liabilities would have no long-term impact on the group's assets and financial position.

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

As discussed in last year's annual report, the German Federal Antitrust Authority launched an inquiry into the activities of Südzucker AG and others in March 2009. None of the Authority's initial allegations have been substantiated; neither during the financial year under review, nor to point in time this annual report was being prepared.

The antitrust authorities also initiated proceedings against subsidiaries of AGRANA in Slovakia and in Hungary in this connection. In September 2010, the Austrian Federal Competition Authority, among other things, referred AGRANA Zucker GmbH and Südzucker to the Vienna cartel court, requesting a decision on a violation of the Austrian Cartel Act. AGRANA and Südzucker are accused of anticompetitive agreements relating to Austria. Südzucker and AGRANA have denied these allegations in written statements to the court.

#### **Financial risks**

Südzucker is exposed to financial business risks resulting from currency exchange and interest rate fluctuations. The currency exchange, and interest rate risks are hedged to a limited extent using derivative instruments. Südzucker Group continuously monitors the use of these hedging instruments, which are subject to strict limits.

#### **Liquidity risks**

Südzucker Group's liquidity is monitored daily. To the extent that they make sense economically, the company uses cash pools, both in Germany and internationally. Excess cash is also utilized throughout the group. We ensure that we have a balanced debt repayment scheme and reduce our financing risks by issuing long-term bonds and using bank credit lines. Risks resulting from cash flow fluctuations are detected and controlled at an early stage as part of short, medium and long-term liquidity planning, which is an integral part of corporate planning. A commercial paper program and approved bank credit lines give Südzucker access to immediate and adequate liquidity to meet the seasonal financing requirements associated with sugar campaign production at any given time.

#### **Creditworthiness and default risk**

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

There are also default risks associated with financial institutions with which we have entered into hedging transactions, have deposited funds, have credit lines or that have offered guarantees on behalf

of Südzucker. This risk increased due to the financial crisis and we limit it by conducting our financial business only with banks that have a high credit rating. Accordingly, we continuously monitor the creditworthiness of the financial institutions.

Detailed information regarding **currency exchange, interest rate and price risks** is provided in the notes to the consolidated financial statements (32) "Risk management at Südzucker Group".

### **Rating**

Moody's Investor Service (Moody's) and Standard & Poor's (S&P) rating agencies assess Südzucker's creditworthiness. Südzucker considers itself duty-bound to maintain a stable investment grade rating. A downgrade in the assigned rating could negatively impact the group's cost of capital for future financing needs.

### **OVERALL RISK POSITION**

The group's overall risk position remains unchanged from the year prior, even taking into consideration the continued high volatility of exchange rates, product and commodity prices. Currently there are no apparent risks that threaten the organization's continued existence.

### **OPPORTUNITIES FOR FURTHER GROWTH**

Rigorously pursuing a corporate strategy aimed at long-term value-based growth also creates many opportunities for Südzucker Group.

**Sugar** | Südzucker is in an excellent competitive position because its cultivation is concentrated in the prime beet growing regions. The company will also grow its market share in the non-food sector. It already has logistical advantages, mainly because of its proximity to industrial sugar purchasers. Südzucker's cooperative agreement with Mauritius enables the company to exclusively market about 400,000 tonnes of white sugar and raw sugar per year from the ACP country in the EU. The imported sugar volumes strengthen the company's European market position. Further opportunities can arise from the allocation of export licenses.

**BENEO** | Südzucker also enjoys an excellent position in several growth markets due to the expansion of its special products segment. The BENEO division is an important part of the special products segment and it will benefit from the long-term trend toward healthier eating habits. In order to take advantage of growth opportunities for the group, the division is currently continuing to press ahead with expanding its product lines by adding new applications.

**Freiberger** | Frozen foods is one of the steadily growing segments of Europe's food industry. There is no foreseeable end to this convenience trend. Freiberger Group, which is active in the frozen and chilled pizza as well as frozen pasta and snacks segments, uses its Europe-wide leading position as a supplier of customer-specific convenience products labeled as the private brands of international trading

companies to tap the resulting growth potential. The group's European and Asian sales and distribution activities are being extended to cover the North American markets.

**PortionPack** | The European market leader creates, produces and distributes portion-sized articles. The product range covers mainly the food sector, but a number of non-food articles are also available. The key markets are particularly sensitive to economic swings, particularly in food service sectors such as hotels, restaurants and bars and caterers. PortionPack is expanding its European market share by growing internally and externally, as well as continuously working on product innovations.

**Starch** | The starch division is a recognized producer of specialty starches for the paper, textile, cosmetics, pharmaceutical and construction industries. This niche strategy enables the division to differentiate itself from the competition and opens the door to further growth opportunities supported by the use of the group's in-house research infrastructure. The starch division also focuses on biostarch and non-GMO starches for the food industry.

**CropEnergies** | Profits are primarily driven by sales revenue growth for ethanol and the costs of the commodities used. Opportunities arise from lower grain prices and/or higher prices for bioethanol and its byproducts. CropEnergies can to some extent avoid the volatility of the grain markets by using sugar syrups as a raw material. In addition, CropEnergies benefits by generating sales revenues from high quality foodstuffs and animal feed, which lowers net raw material costs and optimizes energy consumption in the production process.

The objectives of the European Union's bioethanol market expansion program are to secure energy supplies, protect the world's climate and strengthen regional structures. The EU established additional conditions to encourage greater use of bioethanol in the fuel sector. Opportunities can arise from the resulting market growth. By expanding its capacity in Germany, Belgium and France, CropEnergies has positioned itself to benefit from future market growth. The company is one of the most efficient European producers of bioethanol.

**Fruit** | The AGRANA fruit segment is the world market leader for fruit preparations for the dairy industry and the European market's largest supplier of apple juice concentrates. Growth opportunities arise in countries with rising incomes, such as Central and Eastern European countries, Russia, China and Brazil. A greater emphasis is also being placed on the regions of North Africa and the Middle East.

**DESCRIPTION OF THE INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM AS IT APPLIES TO ACCOUNTING SYSTEMS AS PER ARTICLE 315, PARA. 2, ITEM 5 OF THE GERMAN COMMERCIAL CODE.**

**Organization of the accounting system** | Südzucker Group's consolidated financial statements are prepared using a multistage process supported by a group-wide standard IT consolidation system that has a clearly structured access authorization hierarchy. The financial statements of the individual organizational entities are pre-consolidated using this system and sent to a central department of Südzucker AG. This group is responsible for 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 the IT consolidation tool. The process of preparing the consolidated financial statements is based on guidelines, processes and deadlines that apply throughout the group, binding accounting and valuation principles, Südzucker-specific parameters and instructions for compiling the financial statements including coordination internal to the group. To the extent that information relevant to the accounting standards or the preparation of the financial statements cannot be directly determined from the IT consolidation system, the respective information is requested from the consolidated companies using a Web-based tool. In addition, comprehensive information about all companies in which Südzucker Group holds an interest are entered in a shareholding management information system and continuously updated. This system is used to generate the schedule of shareholdings.

Südzucker Group's accounting and valuation rules, including the accounting principles as per International Financial Reporting Standards (IFRS), are also applied by the German and foreign subsidiaries included in Südzucker's consolidated financial report so that the accounting and valuation principles are consistent throughout the group. Only the IFRS rules adopted by the European commission for application in the European Union that were mandatory for the respective financial year at the time of preparing the report are used.

The processes and accounting rules for the current year's financial statements are used similarly to generate three annual forecasts, the budget and the five-year plan.

Südzucker AG's financial statements are also prepared using a multistage process supported by an ERP system that has a clearly structured access authorization hierarchy. The business processes mirrored in the accounting system and the preparation of financial statements are subdivided into functional process steps, in which automated or manual controls play a major role. In addition to applicable legal requirements, there are guidelines to ensure that ongoing business transactions are completely, correctly and properly reflected in the system in a timely manner and that the financial statements are completely, correctly, and properly prepared on time.

**Internal audit system** | Südzucker Group's internal audit system is an integral part of the accounting process and incorporates the principles, processes and programs required to ensure that the accounting system is effective, efficient and correct and that there is no contravention of applicable laws.

Südzucker Group's internal audit system is comprised of the internal control system and the internal monitoring system. 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.

Alongside automated IT process controls, automatic validation and plausibility checks are a key part of the process-dependent controls. The defined organization, audit and monitoring structures underlying Südzucker Group's internal control system enable company-related data to be completely captured, prepared and evaluated, and enable it to be appropriately shown in the group accounting system.

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, adapting the individual group company financial statements, taking into consideration the external auditors' reports and/or the audit debriefings.

The internal control system also ensures that changes to Südzucker Group's business and legal environment are plausible and reflected in its processes and that new or changed legal requirements are applied in the accounting system. The internal audit system measures implemented to check the suitability and reliability of the accounting process ensure that business transactions are completely entered in accordance with legal requirements and the articles of incorporation without delay.

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. In cases where the effectiveness and reliability of the internal controlling system proved weak, action is taken on any new facts ascertained. Appropriate recommendations are made and processes are revised to continuously improve the systems. Before integrating newly acquired companies, their internal control systems are quickly adapted to meet Südzucker Group's high standards.

The supervisory board has delegated verification of the effectiveness of the internal control system to the audit committee. Together with the executive board, this committee is regularly kept up to date by the group's internal audit department, a process-independent internal supervisory body, as well as by the external auditors.

**Accounting related risk management** | Südzucker Group's risk management system covers financial and operational risk management. The latter includes transferring risk to insurance companies to limit damage and liability risks and entering into suitable hedging transactions to limit foreign currency, sales volume and commodity price risks. Südzucker has implemented a monitoring system for early detection of existential risks as per article 91 para. 2 of the German Stock Corporation Act, which exceeds the legal requirements regarding existential risks and also detects, controls and monitors other risks in a timely manner.

The external auditor evaluates the reliability of the risk early warning system in accordance with article 317, para. 4 of the German Commercial Code, which Südzucker Group quickly adapts to any changes to legislative and business conditions. The internal group audit department also regularly checks the functionality and effectiveness of the system by conducting regular system checks as part of its monitoring assignment.

## **EVENTS AFTER THE BALANCE SHEET DATE**

On March 22, 2011, Südzucker AG Mannheim/Ochsenfurt successfully issued a corporate bond valued at € 400 million via its Dutch subsidiary Südzucker International Finance B.V. The bonds were placed at European investors. The non-subordinated bond is guaranteed by Südzucker, matures in seven years (maturity date: March 29, 2018) and has a coupon of 4.125 %. The bond was placed at a premium of 93 basis points above the seven-year swap rate. The bond is listed on the Luxembourg stock exchange and due to its denomination of € 1,000, is also interesting to private investors.

Südzucker benefited from its long-standing position as a bond issuer and the stable ratings from Moody's (Baa2, stable) and Standard & Poor's (BBB, stable).



## OUTLOOK

The gratifying growth of the company during the 2010/11 financial year is attributed to the elimination of temporary charges from the restructuring phase of the EU sugar market. However, maintaining balanced supply and demand conditions will continuously be of key importance.

The sustainable profit recovery in the quota sugar business resulted in an improvement in operating profit. In addition, operating profit received a one-time boost from the opportunity to export non-quota sugar during the first quarter of 2010/11 as a result of the good harvest 2009. We expect to more than offset this omitting one-time impact over the course of the 2011/12 financial year, especially from higher sales revenues, in spite of rising raw material costs. The opportunity to sell a limited amount of non-quota sugar in the EU food market for the first time will also have a positive impact. Further development of exports during the 2011/12 financial year will depend on upcoming decisions by the EU Commission. In addition, the increase in grain prices offers additional opportunities for revenues from byproducts (animal feed).

Südzucker expects revenue to increase slightly in financial 2011/12. An improved net interest result will lead to further growth in earnings from ordinary activities. Given a constant extraordinary result due to the first-time application of the rule changes associated with BilMoG regarding valuation of pension accruals, this will also result in an increase in net earnings.

We are expecting stable revenue growth in 2012/13, at about the same level as in fiscal 2011/12.

In addition, Südzucker is expecting the profit forecast for 2011/12 to be confirmed.



## **RECOMMENDED APPROPRIATION OF PROFITS**

The executive and supervisory board will recommend to shareholders at the annual general meeting on July 21, 2011 a dividend of € 0.55 (0.45) per share to be distributed. Based on the 189.4 million shares entitled to dividends, the total dividend distribution will be € 104.1 (85.2) million. The dividend is expected to be paid on July 22, 2011.

## **BUSINESS RELATIONSHIPS WITH ASSOCIATED COMPANIES**

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

"For the legal transactions listed in the report regarding the relationship to SZVG, the association of Association of Süddeutsche Zuckerrübenanbauer e.V., Würzburg, its regional associations and beet farmers, our company received appropriate compensation for every legal transaction in accordance with the conditions known at the time such transactions were undertaken. Measures subject to reporting by our company as per article 312 of the German Stock Corporation Act were neither undertaken nor neglected during the financial year under review."

# FINANCIAL STATEMENTS OF SÜDZUCKER AG MANNHEIM/OCHSENFURT (GERMAN COMMERCIAL CODE – HGB)

## BALANCE SHEET AS OF FEBRUARY 28, 2011

ASSETS			
(€ '000)	Notes	28.2.2011	28.2.2010
Intangible assets		36.182	43.553
Property, plant and equipment		210.805	203.364
Financial assets		2.701.319	2.744.575
<b>Fixed assets</b>	(1)	<b>2.948.306</b>	<b>2.991.492</b>
Inventories	(2)	407.623	454.965
Receivables and other assets	(3)	492.394	419.005
Securities	(4)	41.029	51.351
Cash and cash equivalents		1.735	12.776
<b>Current assets</b>		<b>942.781</b>	<b>938.097</b>
<b>Accrued and deferred items</b>	(5)	<b>40.875</b>	<b>48.480</b>
		<b>3.931.962</b>	<b>3.978.069</b>

LIABILITIES AND SHAREHOLDERS' EQUITY			
(€ '000)	Notes	28.2.2011	28.2.2010
Subscribed capital		189.354	189.354
Capital reserve		1.192.936	1.192.936
Revenue reserves		178.018	162.931
Retained earnings		104.149	85.216
<b>Shareholders' equity</b>	(6)	<b>1.664.457</b>	<b>1.630.437</b>
<b>Special items with an equity portion</b>	(7)	<b>42.215</b>	<b>43.989</b>
Provisions for pensions and similar obligations	(8)	315.279	293.323
Other provisions	(9)	246.402	200.576
<b>Provisions</b>		<b>561.681</b>	<b>493.899</b>
<b>Liabilities</b>	(10)	<b>1.569.870</b>	<b>1.695.422</b>
<b>Accrued and deferred items</b>	(11)	<b>93.739</b>	<b>114.322</b>
		<b>3.931.962</b>	<b>3.978.069</b>

## INCOME STATEMENT

### 1 MARCH 2010 TO 28 FEBRUARY 2011

(€ '000)	Notes	1.3.2010- 28.2.2011	1.3.2009 - 28.2.2010
<b>Revenues</b>	(13)	<b>1.302.074</b>	<b>1.253.310</b>
Change in work in progress and finished goods inventories and internal costs capitalized	(14)	-54.562	-66.065
Other operating income	(15)	78.804	80.149
Cost of materials	(16)	-835.508	-778.936
Personnel expenses	(17)	-166.235	-181.454
Depreciation of fixed assets and intangible assets		-42.159	-43.833
Other operating expenses	(18)	-210.597	-192.545
Investment income/expense	(19)	127.084	116.998
Interest income/expense	(20)	-66.946	-47.261
<b>Operating result</b>		<b>131.955</b>	<b>140.363</b>
Extraordinary profit/loss	(21)	-7.178	0
Taxes on income	(22)	-11.107	-25.994
Other taxes		5.559	-1.011
<b>Net earnings</b>		<b>119.229</b>	<b>113.358</b>
Profit brought forward from the previous year		7	7
Allocation to other reserves		-15.087	-28.149
<b>Retained earnings</b>		<b>104.149</b>	<b>85.216</b>

## DEVELOPMENT OF FIXED ASSETS

(€ '000)	Acquisition or production cost				28.2.2011	
	On	Addition	Transfer	Disposal		On
	1.3.2010					
<b>Intangible assets</b>	<b>93.777</b>	<b>2.467</b>	<b>251</b>	<b>269</b>	<b>96.226</b>	
<b>Property, plant and equipment</b>						
Land, land rights and buildings including buildings on land owned by third parties	318.039	6.956	26	3.578	321.443	
Technical equipment and machinery	1.079.622	20.618	2.590	16.260	1.086.570	
Other plant, factory and office equipment	100.938	7.375	84	6.605	101.792	
Advances paid and construction in progress	4.582	6.959	-2.951	200	8.390	
<b>Total property, plant and equipment</b>	<b>1.503.180</b>	<b>41.908</b>	<b>-251</b>	<b>26.643</b>	<b>1.518.194</b>	
<b>Financial assets</b>						
Shares in affiliated companies	3.482.862	408	0	3.291	3.479.979	
Participations	7.186	46	0	0	7.232	
Long-term financial investments	40.356	0	0	40.356	0	
Other loans	139	0	0	62	77	
<b>Total financial assets</b>	<b>3.530.543</b>	<b>454</b>	<b>0</b>	<b>43.709</b>	<b>3.487.288</b>	
<b>Total fixed assets</b>	<b>5.127.500</b>	<b>44.829</b>	<b>0</b>	<b>70.621</b>	<b>5.101.708</b>	

	Depreciation					Un 28.2.2011	Carrying amount	
	Un	Annual depreciation	Transfer	Disposal	Reversal		Un	Un
	1.3.2010						28.2.2011	28.2.2011
<b>Intangible assets</b>	<b>50.224</b>	<b>10.085</b>	<b>-4</b>	<b>268</b>	<b>0</b>	<b>60.045</b>	<b>36.182</b>	<b>43.553</b>
<b>Property, plant and equipment</b>								
Land, land rights and buildings including buildings on land owned by third parties	213.546	5.237	0	2.549	62	216.172	105.272	104.493
Technical equipment and machinery	998.785	20.758	11	15.790	37	1.003.705	82.864	80.836
Other plant, factory and office equipment	87.485	6.079	-7	6.059	0	87.512	14.280	13.453
Advances paid and construction in progress	0	0	0	0	0	0	8.390	4.582
<b>Total property, plant and equipment</b>	<b>1.299.816</b>	<b>32.074</b>	<b>4</b>	<b>24.398</b>	<b>99</b>	<b>1.307.389</b>	<b>210.805</b>	<b>203.364</b>
<b>Financial assets</b>								
Shares in affiliated companies	785.968	0	0	0	0	785.968	2.694.010	2.696.894
Participations	0	0	0	0	0	0	7.232	7.186
Long-term financial investments	0	0	0	0	0	0	0	40.356
Other loans	0	0	0	0	0	0	77	139
<b>Total financial assets</b>	<b>785.968</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>785.968</b>	<b>2.701.319</b>	<b>2.744.575</b>
<b>Total fixed assets</b>	<b>2.136.008</b>	<b>42.159</b>	<b>0</b>	<b>24.666</b>	<b>99</b>	<b>2.153.402</b>	<b>2.948.306</b>	<b>2.991.492</b>

## NOTES

### APPLICATION OF GERMAN GAAP (HGB)

The financial statements of Südzucker AG were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG), whereby the amendments and supplements to HGB under the German Accounting Law Modernization Act (BilMoG) were relevant with regard to accounting and measurement for the first time in the 2010/11 financial year. Prior year figures were not adjusted for the amended accounting policies for changes in recognition and measurement of balance sheet items resulting from BilMoG; comparability is thus limited.

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

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

### ACCOUNTING POLICIES

Current assets and liabilities denominated in foreign currencies are translated using the average spot exchange rate on the financial reporting date. Exchange gains or losses from different average spot exchange rates between the transaction date and the balance sheet date are reported under other operating income or expense.

#### Fixed assets

Intangible assets and fixed assets are measured at acquisition or production cost less depreciation and write-downs. Production costs for internally-constructed equipment include production material, labor costs and proportionate overheads.

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

Intangible assets are depreciated using the straight-line method.

Fixed assets acquired on or after January 1, 2001 were offset at a rate of maximum 20 percent when depreciated using the declining-balance method. Fixed assets acquired on or after January 1, 2006 to

December 31, 2007 were offset pursuant to tax provisions at a rate of maximum 30 percent when depreciated using the declining-balance method.

Assets acquired after December 31, 2008 were offset at a rate of maximum 25 percent when depreciated using the declining-balance method. The transition from the declining-balance to the straight-line method takes place at the date at which the remaining carrying amount distributed in equal annual amounts over the remaining useful life leads to higher depreciation rates.

The straight-line method was used exclusively for assets acquired or produced on or after March 1, 2010. Südzucker AG exercises the option of using the reduced carrying amount (Beibehaltungswahlrecht) pursuant to Section 67 (4) s. 1 of the Introductory Act to the German Commercial Code (EGHGB).

Independently usable movable items of fixed assets subject to depreciation are fully depreciated in the year of initial recognition if their acquisition or production costs do not exceed € 150. Depreciable movable assets under fixed assets acquired or produced after December 31, 2007 whose acquisition or production costs are greater than € 150 but do not exceed € 1,000 were combined into compound items. Compound items are depreciated at the same rate over a period of five years.

Depreciation of fixed assets and of intangible assets is based on the following useful lives:

Intangible assets	2 to 9 years
Buildings	10 to 50 years
Technical equipment and machinery	5 to 15 years
Factory and office equipment	3 to 10 years

Special items with an equity portion for differences from increased depreciation permissible according to tax law and special depreciation as well as regular depreciation on a straight-line or declining-balance basis were recognized until the 2009/10 financial year.

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

Long-term financial investments are measured at acquisition cost, if applicable, less depreciation of the respective lower fair value at the end of the financial year.

Lower fair values of fixed assets are accounted for with write-downs if continued impairment is expected. Write-downs are reversed if the reasons for the write-downs no longer exist.

### **Current assets**

Materials and other supplies are measured according to the principles of valuation on a separate or standard value basis at acquisition costs with due respect for the lower-of-cost-or-market principle. Merchandise is measured at acquisition cost with due respect for the lower-of-cost-or-market principle. Appropriate valuation reductions are made each time realizability is limited.

Finished goods and work in progress are measured in accordance with Sections 253 to 256 HGB at production costs or at the recoverable net proceeds derived from the sale price with due respect for the principle of loss-free evaluation. The FIFO method is used in the measurement of finished goods. Valuation reductions are made if inventory risk arises from extended storage duration or reduced realizability.

The depreciation of the fixed assets in use (wear and tear), the directly attributable material and production costs and the appropriate components of the necessary material and production overheads are considered when determining production costs for sugar.

Short-term financial investments are reported at acquisition cost, less depreciation of the respective lower quoted or market price at the end of the financial year.

Receivables and other assets are measured either at nominal value with due respect for the lower-of-cost-or-market principle or at discounted value. Individual allowances are made in the estimated amount of default risk for doubtful receivables. General credit risk is accounted for with general allowances.

CO<sub>2</sub> emission certificates allocated free of charge are capitalized with an acquisition value of zero; certificates acquired for a fee are recognized at their acquisition cost. Provisions are recognized in the amount of the acquisition cost for the certificates if CO<sub>2</sub> emissions exceed the allocated certificates.

Cash and cash equivalents are recognized at their nominal value. Write-downs are reversed if the reasons for the write-downs no longer exist.

### **Special items with an equity portion**

Special items with an equity portion for differences from increased depreciation permissible according to tax law and special depreciation as well as regular depreciation on a straight-line or declining-balance basis were recognized until February 28, 2010. Special reserve items were also recognized pursuant to Section 6b of the Income Tax Act (EStG) until February 28, 2010.



Südzucker AG exercises the option of using the reduced carrying amount (continuation option) pursuant to Section 67 (3) s. 1 of the Introductory Act to the German Commercial Code (EGHGB).

The special reserve items existing at February 28, 2010 were fully utilized pursuant to Section 6b of the German Tax Law (EStG) in the 2010/11 financial year.

### Provisions

Provisions for pensions and similar obligations are determined on the basis of biometric probabilities (Heubeck 2005 G actuarial tables) using the projected unit credit method assuming a future salary increase rate of 2.75 percent, an income threshold forecast of 2.75 percent, a future pension increase rate of 2.00 percent and an employee turnover rate of 1.00 percent. An actuarial interest rate of 5.15 percent was used as a basis for the discount rate for pension obligations as at February 28, 2011. This corresponds to the average market interest rate from the past seven years determined by Deutsche Bundesbank and published on January 31, 2011 for an assumed time to maturity of 15 years. Changes to the discount rate that affect net income are reported under personnel expenses and fair value changes to fund assets in the financial results.

Provisions for pensions and similar obligations are offset with existing fund assets (pension liability) which were recognized at fair value. The fair value of fund assets is the actuarial asset value of the liability insurance, which corresponds to the historic acquisition costs. With first-time application of the requirements amended within the scope of BilMoG for the measurement of provisions for pensions and similar obligations in the 2010/11 financial year Südzucker AG exercises the option provided in Section 61 (1) sentence 1 EGHGB to accumulate the contribution amount of € 94.7 million and distribute it on a straight-line basis over 15 years.

Other provisions are recognized for contingent liabilities and imminent losses from pending business transactions. Provisions are also recognized for maintenance expenses that have been put off and are made up for within three months of the following financial year and for provisions for warranties honored without a legal obligation. Other provisions are measured in the amount of the settlement value required according to reasonable commercial assessment that also includes price and cost increases. Provisions with a remaining term of more than one year are discounted corresponding to their remaining term with the average market interest rate of the past seven financial years.

### Liabilities

All liabilities are reported using their settlement value.

### **Deferred tax**

Deferred tax is measured for temporary differences between legal commercial and tax valuations of assets, liabilities and accrued and deferred items. Interest and tax loss carryforwards are also considered in addition to temporary accounting differences.

Deferred tax is calculated on the basis of the combined income tax rate of 29.1 percent currently applicable for the Südzucker AG tax group. The combined income tax rate comprises the German corporate income tax (Körperschaftsteuer), the trade tax on income (Gewerbesteuer) and the solidarity tax (Solidaritätszuschlag).

If applicable, a resulting tax burden is recognized in the balance sheet as a deferred tax liability. If deferred tax assets are greater than deferred tax liabilities the option of not recognizing any deferred tax assets is exercised. In the financial year under review deferred tax assets were greater and thus not recognized.

### **Research and development expenses**

The option of capitalizing development expenses is not exercised.

Research expenses are recognized directly in the income statement as expenses that cannot be capitalized.

### **Creation of valuation units for hedging instruments**

Hedging instruments are considered a valuation unit with the hedged item if the requirement for the creation of valuation units is met. Accordingly, no provision is recognized in the case of a negative market value. When disclosing the market values the amount is applied which would flow to or from Südzucker AG assuming the hedge were reversed at the balance sheet date. As hedge transactions only comprise normal market tradable financial instruments, the market value is derived from quoted prices on exchanges without offsetting any possible value changes relating to the underlying transaction being hedged.

A provision for valuation units is recognized as an expense if changes in the value of hedged items and hedging instruments relating to the hedged risk result from offsetting. The effective portions of the valuation units are not accounted for in the balance sheet or income statement (net hedge presentation method).

## NOTES TO THE BALANCE SHEET

### (1) Fixed assets

The above presented statement of changes in fixed assets contains details on the composition and development of fixed assets.

Intangible assets relate exclusively to concessions acquired against payment, trademarks and similar rights and assets.

The carrying amounts of shares in affiliated companies declined by € 2.9 million to €2,694.0 million (€2,696.9 million) primarily as the result of a sale.

The item long-term financial investments was completely reclassified (€ 40.4 million) under current assets in the 2010/11 financial year.

There were no write-downs in the financial year under review; write-downs in the previous year amounted to €0.1 million.

### (2) Inventories

(€ '000)	28.2.2011	28.2.2010
Raw materials and supplies	70.952	64.427
Work in progress	107.829	113.450
Finished goods, merchandise	228.842	277.088
	<b>407.623</b>	<b>454.965</b>

### (3) Receivables and other assets

((€ '000)	28.2.2011	28.2.2010
Trade receivables	62.128	56.049
- thereof with remaining term of more than one year	1.246	1.447
Trade receivables related to Group companies	390.857	284.797
- thereof with remaining term of more than one year	135.887	40.887
Trade receivables related to participations	92	46.427
Other assets	39.317	31.732
	<b>492.394</b>	<b>419.005</b>

Individual allowances of € 9.0 million (unchanged) have been made for trade receivables.

Receivables from affiliated companies primarily comprise financing receivables resulting from group loans totaling € 245.9 million (€ 150.9 million), trade receivables of € 44.3 million (€ 52.9 million) and other receivables from clearing accounts of € 100.7 million.

The intra-group factoring begun in the 2010/11 financial year gives reason for the significant decline in receivables from companies with which there is a participating interest.

The increase in other assets is largely the result of the CO<sub>2</sub> emission certificates purchased and the rights to reimbursement of energy taxes.

#### (4) Securities

Securities held at February 28, 2011 mainly relate to the fixed-interest securities reclassified from fixed assets.

#### (5) Accrued and deferred items

This item primarily includes accrued interest expense and the deferred option premium from the convertible bond issue.

#### (6) Shareholders' equity

(€ '000)	1.3.2010	Dividend for 2009/10	Net earnings	28.2.2011
Subscribed capital	189.354			189.354
Capital reserve	1.192.936			1.192.936
Other reserves	162.931		15.087	178.018
Retained earnings	85.216	-85.209	104.142	104.149
	<b>1.630.437</b>	<b>-85.209</b>	<b>119.229</b>	<b>1.664.457</b>

At February 28, 2011 the subscribed capital is valued at €189.4 million and consists of 189,353,608 no-par shares, each of which represents a notional holding of € 1.00 per share.

Südzucker International Finance B.V., Oud-Beijerland, Netherlands issued a convertible bond on June 30, 2009 in the nominal amount of € 283.45 million with a term until June 30, 2016. The associated option premium totaling € 52.3 million has been included in the capital reserve. No bondholders have exercised their rights to date.

After allocating €15.1 million (€28.2 million) from net earnings other retained earnings of €162.9 million increased to €178.0 million.

Südzucker AG did not exercise any accounting options that trigger a distribution restriction.

### (7) Special items with an equity portion

(€ '000)	28.2.2011	28.2.2010
Special tax depreciation	42.215	39.782
Reserve pursuant to § 6b EStG in conj. with § 273 s. 2 HGB	0	4.207
	<b>42.215</b>	<b>43.989</b>

Other operating income includes income from the reversal of special items with an equity portion totaling €6.0 million (€3.2million).

### (8) Provisions for pensions and similar obligations

Current obligations for pensions and benefits are reported under provisions for pensions and similar obligations. Provisions for pensions and similar obligations are offset with fund assets (pension liability) totaling € 2.4 million. The fair value of fund assets is the actuarial asset value of liability insurances, which corresponds to the historic acquisition costs. With first-time application of the requirements amended within the scope of BilMoG for the measurement of provisions for pensions and similar obligations in the 2010/11 financial year Südzucker AG exercises the option provided in Section 61 (1) sentence 1 EGHGB to accumulate the contribution amount of € 94.7 million and distribute it on a straight-line basis over 15 years. After extraordinary expenses from the special contribution totaling € 6.3 million in the 2010/11 financial year, an extraordinary contribution requirement of € 88.4 million remains for the next few years.

### (9) Other provisions

(€ '000)	28.2.2011	28.2.2010
Tax provisions	72.406	69.257
Other provisions	173.996	131.319
	<b>246.402</b>	<b>200.576</b>

Tax provisions include amounts for the reporting year and for periods which are not yet completed for tax audit purposes.

Other provisions mainly comprised obligations from factory closures, for personnel expenses, expenses for exporting beet soil and recultivation of sludge lagoons and/or earth-moving operations for soil preparation and improvement, and litigation risk.

Provisions were also recognized for maintenance expenses that were put off in the financial year under review and will be made up for within three months of the following financial year.

The provision for part-time early retirement was recognized for such agreements already concluded prior to and those already committed as of the balance sheet date. It includes top-up contributions and accumulated settlement amounts accrued up to the balance sheet date.

## (10) Liabilities

Liabilities of Südzucker AG Mannheim/Ochsenfurt (HGB) at February 28, 2011:

(€ '000)		of which remaining term		
		up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	154.596	4.096	150.500	0
Trade payables	243.839	243.823	16	0
Liabilities to affiliated companies	1.091.623	444.173	364.000	283.450
Liabilities to companies with which there is a participating interest	1.050	1.050	0	0
Other liabilities	78.762	78.762	0	0
- of which for taxes	3.077	3.077	0	0
- of which for social security	11.222	11.222	0	0
	<b>1.569.870</b>	<b>771.904</b>	<b>514.516</b>	<b>283.450</b>

Liabilities of Südzucker AG Mannheim/Ochsenfurt (HGB) at February 28, 2010:

(€ '000)		of which remaining term		
		up to 1 year	1 to 5 years	over 5 years
Liabilities to banks	154.526	4.026	150.500	0
Trade payables	243.750	243.734	16	0
Liabilities to affiliated companies	1.216.390	352.940	580.000	283.450
Liabilities to companies with which there is a participating interest	0	0	0	0
Other liabilities	80.756	80.756	0	0
- of which for taxes	3.624	3.624	0	0
- of which for social security	14.220	14.220	0	0
	<b>1.695.422</b>	<b>681.456</b>	<b>730.516</b>	<b>283.450</b>

Liabilities to banks included € 150.5 million for the borrower's note loan due April 15, 2014.

All liabilities are unsecured.

Obligations to beet growers of €196.1 million (€ 206.7 million) are reported under trade payables.

Liabilities to affiliated companies totaling €1,091.6 million (€1,216.4 million) primarily include borrowings totaling €647.5 million (€863.5 million) from Südzucker International Finance B.V., loans payable totaling €369.3 million (€280.0 million) and trade payables totaling €22.5 million (€33.5million).

Other liabilities primarily include liabilities to insurance institutions, tax liabilities and liabilities from payroll accounting.

## (11) Accrued and deferred items

Income from EU restructuring assistance was offset in the two preceding financial years by the proportionate carrying amount of the additional quota, with a total of € 153.3 million deferred to be

reversed to income on a pro rata basis up until 2014/15. The deferred amount as of the balance sheet date comprises €93.7 million (€114.3 million).

## **(12) Contingent liabilities, other financial commitments and derivative financial instruments**

Annual obligations resulting from lease agreements for offices and factory and office equipment, and from company lease agreements total € 4.7 million (€ 9.3 million); € 1.5 million (€ 2.8 million) of this amount is attributable to affiliated companies. Other financial commitments from open orders totaled € 15.4 million (€ 16.2 million) as of the balance sheet date.

For bonds issued by Südzucker Finance B.V. in favor of the creditors, Südzucker AG issued guarantees totaling € 783.4 million (€ 1,083.4 million) and, in the case of the hybrid bond, a subordinated guarantee totaling € 700.0 million (€ 700.0 million). A further guarantee was issued in favor of the creditors of BENE Orafti Chile S.A. for a maximum credit line of \$ 25.0 million; as of the balance sheet date the company had accessed \$ 11.0 million from the credit line. No claims are currently expected from the issued guarantees.

Südzucker AG concluded an interest rate swap with a volume of € 20 million for an investment in a floating rate security to secure a fixed interest rate. The hedged item (investment security) and the hedging instrument (interest rate swap) are considered a single valuation unit (micro hedge) because the requirements for the creation of a valuation unit are met. Accordingly, no provision is recognized in the case of a negative market value. At the balance sheet date the interest rate swap had a negative market value of € 0.3 million. The hedge has a term until September 19, 2012.

Südzucker AG concluded an interest rate swap with a volume of € 105.0 million to take up a borrower's note loan with a volume of € 150.5 million to secure a fixed interest rate. The hedged item (borrowing) and the hedging instrument (interest rate swap) are considered a single valuation unit (micro hedge) because the requirements for the creation of a valuation unit are met. Accordingly, no provision is recognized in the case of a negative market value. At the balance sheet date the interest rate swap had a negative market value of € 1.1 million. The hedging instrument has a term until April 15, 2014.

The bond of Südzucker Finance B.V. with a nominal volume of € 500 million is due on February 27, 2012. In the event follow-up financing becomes necessary in 2012 with a variable coupon, Südzucker AG – in light of the historically low interest rates – concluded an interest rate swap with a volume of € 200 million in September 2010 to secure a fixed interest rate. The hedged item (future borrowing) and the hedging instrument (interest rate swap) are considered a single valuation unit (micro hedge) because the requirements for the creation of a valuation unit are met. The follow-up financing relates to a highly probable forecast transaction. Accordingly, no provision is recognized in the case of a negative market value. At the balance sheet date the interest rate swap had a positive market value of € 8.2 million. The hedging instrument has a term until February 27, 2017.

The material value-determining parameters of hedged item and hedge are compliant for these three hedging relationships, which is why it can be assumed that the opposite cash flows will completely offset each other in the future.

The compliance of these parameters is reviewed prospectively, and the effectiveness of the hedging relationship is assessed regularly as part of the risk management system.

At the balance sheet date there were no US dollar forex futures or sugar futures.



## NOTES TO THE INCOME STATEMENT

### (13) Revenues

(€ '000)	2010/11	2009/10
<b>Classification according to activities</b>		
Own production	1.084.743	1.146.320
- of which sugar	968.829	1.039.735
- of which other revenue	115.914	106.585
Revenues from services	68.508	48.374
Merchandise revenue	148.823	58.616
- of which sugar	118.808	26.203
- of which other revenue	30.015	32.413
	<b>1.302.074</b>	<b>1.253.310</b>
<b>Classification according to geographical markets</b>		
Germany	960.667	896.703
EU	289.948	321.301
Foreign countries	51.459	35.306
	<b>1.302.074</b>	<b>1.253.310</b>

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

(€ '000)	2010/11	2009/10
Change in finished goods and work in progress	-57.367	-68.069
Internal costs capitalized	2.805	2.004
	<b>-54.562</b>	<b>-66.065</b>

### (15) Other operating income

Other operating income includes income from prior periods totaling €7.8 million (€15.0 million), which largely resulted from accounting profits and the reversal of provisions. Also included is income from currency translation totaling €24,000 (€6,000).

### (16) Cost of materials

(€ '000)	2010/11	2009/10
Cost of raw materials and consumables and merchandise	762.437	732.600
Cost of purchased services	73.071	46.336
	<b>835.508</b>	<b>778.936</b>

**(17) Personnel expenses**

(€ '000)	2010/11	2009/10
Wages and salaries	124.203	129.033
Social contributions and expenses for retirement and other benefits	42.032	52.421
- of which retirement benefits	18.647	26.329
	<b>166.235</b>	<b>181.454</b>

Average number of employees during the year	2010/11	2009/10
Industrial employees	1.100	1.117
Salaried employees	1.022	1.019
Apprentices	186	195
	<b>2.308</b>	<b>2.331</b>

**(18) Other operating expenses**

Other operating expenses include expenses from prior periods totaling €33.5 million (€11.5 million). Also included are expenses from currency translation totaling €48,000 (€13,000).

**(19) Investment income/expense**

(€ '000)	2010/11	2009/10
Income from profit transfer agreements	101.967	98.966
Income from investments	25.118	18.039
- of which from affiliated companies	23.178	17.024
- of which from other investments	1.940	1.015
Expenses from transfer of losses	-1	-7
	<b>127.084</b>	<b>116.998</b>

**(20) Interest income/expense**

(€ '000)	2010/11	2009/10
Income from other long-term financial investments and loans	-6.962	7.114
Other interest and similar income	13.289	13.784
- of which from affiliated companies	7.216	5.009
- of which from the unwinding of the discount for receivables	0	4.311
Interest and similar expenses	-73.273	-68.159
- of which to affiliated companies	-36.036	-50.950
	<b>-66.946</b>	<b>-47.261</b>

In addition to income from the unwinding of the discount for long-term receivables in the previous year, expense from the unwinding of the discount for long-term obligations totaling € 21.3 million is also recorded in the interest result in the year under review. This primarily results from the unwinding of the discount for provisions for pensions and similar obligations (€ 20.0 million) or non-current provisions for personnel expenses.

Up until the 2010/11 financial year the allocation to provisions for pensions and similar obligations was completely included in the personnel expenses.

**(21) Extraordinary profit/loss**

Extraordinary expenses of € 7.2 million (€ 0.0 million) resulted from the first-time application of the requirements amended within the scope of BilMoG for the measurement of non-current provisions, especially pension provisions.

**(22) Taxes on income**

Taxes on income exclusively comprise current taxes and fully affect the operating result.

Deferred tax assets totaling € 102.1 million result from the comparatively higher valuations in the commercial balance sheet than in the tax balance sheet for provisions for pensions, part-time early retirement and anniversaries, other provisions, and from available interest and tax loss carryforwards. This compares with deferred tax liabilities of € 14.4 million from higher valuations of financial assets and the deferred items in the commercial balance sheet. In total deferred tax assets exceeded deferred tax liabilities; deferred tax assets were not recognized.

In determining deferred taxes a theoretical tax rate of € 29.125 percent is assumed. The effective tax rate is equal to 8.4 percent. Differences in the theoretical tax rate and the effective tax rate largely result from tax reductions from tax-free income of € 110.7 million and tax increases due to non-deductible expenses of € 47.8 million.

**(23) Research and development expenses**

Research and development expenses totaled € 16.4 million (€ 15.9 million) and were completely recognized in the income statement.

**(24) Total compensation of the executive board and supervisory board and former executive board and supervisory board members**

The total compensation granted to members of the executive board by Südzucker AG in the 2010/11 financial year amounted to € 2.6 million (€ 2.9 million). The variable component makes up 43 percent (38 percent) of their remuneration in cash, and is calculated based on the dividend to be approved by the annual general meeting. Provisions for pensions of € 24.5 million (€ 25.9 million) relate to former members of Südzucker AG's executive board and their dependents. Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 2.6 million (€ 2.5 million). Total remuneration paid to Südzucker AG's supervisory board for all activities was € 1.4 million (€ 1.1 million) in the 2010/11 financial year. The remuneration systems for the executive board and supervisory board are discussed under "Remuneration" in the management report.

**(25) Related parties**

A related party is Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Ochsenfurt, 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 co-operative members. Südzucker Unterstützungswerk, Frankenthal, Palatinate (SUW), whose assets are used to support Südzucker employees and pensioners in instances of particular difficulty as well as for social activities, is also a related party. Some of the trustees are also members of Südzucker AG's executive board. Items recorded in the 2010/11 financial year on the accounts held for Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Ochsenfurt and SUW at Südzucker AG comprised payments received from dividends and interest from business transactions. There is an agreement to pay interest on the balances on these accounts at normal market rates. Südzucker AG had liabilities to Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Ochsenfurt, of € 1.5 million (€ 1.3 million) and to SUW of € 6.2 million (€ 6.3 million) at the balance sheet date.

Südzucker AG and its consolidated subsidiaries, including the subsidiaries with which control and profit transfer agreements exist, the joint ventures and the associates have relations in connection with regular operating activities. Transactions are carried out with these companies the same as with unrelated parties.

## (26) Supervisory board and executive board

### SUPERVISORY BOARD

#### **Dr. Hans-Jörg Gebhard**

Chairman

#### **Eppingen**

Chairman Verband Süddeutscher Zuckerrübenanbauer e. V.

#### *Memberships in other domestic, statutory supervisory boards*

- CropEnergies AG, Mannheim
- VK Mühlen AG, Hamburg

#### *Memberships in comparable German and foreign supervisory committees*

- AGRANA Beteiligungs-AG, Vienna, Austria
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, Austria (deputy chairman)
- Freiberger Holding GmbH, Berlin
- Raffinerie Tirllemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A., Paris, France
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (chairman)
- Vereinigte Hagelversicherung VVaG, Gießen
- Z & S Zucker und Stärke Holding AG, Vienna, Austria

#### **Dr. Christian Konrad**

Deputy chairman

#### **Vienna, Austria**

Chairman of Raiffeisen-Holding Niederösterreich-Wien

#### *Memberships in other domestic, statutory supervisory boards*

- BAYWA AG, Munich

#### *Memberships in comparable German and foreign supervisory committees*

- RWA Raiffeisen Ware Austria AG, Vienna, Austria
- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung reg. Gen.m.b.H., Vienna, Austria
- Saint Louis Sucre S.A., Paris, France
- Siemens Österreich AG, Vienna, Austria (deputy chairman)
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

#### *Group mandates\*)*

- AGRANA Beteiligungs-AG, Vienna, Austria (chairman)
- Do & Co Restaurants und Catering Aktiengesellschaft, Vienna, Austria
- KURIER Redaktionsgesellschaft m.b.H., Vienna, Austria (chairman)
- KURIER Zeitungsverlag und Druckerei Gesellschaft m.b.H., Vienna, Austria (chairman)
- LEIPNIK-LUNDENBURGER INVEST Beteiligungs-AG, Vienna, Austria (chairman)
- RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN reg.Gen.m.b.H., Vienna, Austria (chairman)
- RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG, Vienna, Austria (chairman)
- Raiffeisen Zentralbank Österreich AG, Vienna, Austria (chairman)
- UNIQA Versicherungen AG, Vienna, Austria (chairman)

#### **Franz-Josef Möllenberg**

Deputy chairman

#### **Rellingen**

Chairman of Gewerkschaft Nahrung-Genuss-Gaststätten

#### *Memberships in other domestic, statutory supervisory boards*

- CropEnergies AG, Mannheim

#### *Memberships in comparable German and foreign supervisory committees*

- Kreditanstalt für Wiederaufbau, Frankfurt/Main

#### **Dr. Ralf Bethke**

#### **Deidesheim**

Former chairman of the executive board of K+S

Aktiengesellschaft

#### *Memberships in other domestic, statutory supervisory boards*

- K+S Aktiengesellschaft, Kassel (chairman)

#### *Memberships in comparable German and foreign supervisory committees*

- Benteler International AG, Salzburg, Austria
- Dr. Jens Ehrhardt Kapital AG, Pullach (chairman)
- SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

#### **Ludwig Eidmann**

#### **Groß-Umstadt**

Chairman of the executive board of SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG and chairman of Verband der Hessisch-Pfälzischen Zuckerrübenanbauer e.V.

#### *Memberships in comparable German and foreign supervisory committees*

- AGRANA Beteiligungs-AG, Vienna, Austria
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, Austria
- Z & S Zucker und Stärke Holding AG, Vienna, Austria

#### **Dr. Jochen Fenner**

#### **Gelchsheim**

Chairman of Verband Fränkischer Zuckerrübenanbauer e.V.

#### **Manfred Fischer \*\*)**

#### **Feldheim**

Chairman of the central works council of Südzucker AG Mannheim/Ochsenfurt

#### **Erwin Hameseder**

#### **Mühldorf/Austria**

Managing director of Raiffeisen-Holding Niederösterreich-Wien

#### *Group mandates\*)*

- AGRANA Beteiligungs-AG, Vienna, Austria (deputy chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna,

Austria (deputy chairman)  
 - LEIPNIK-LUNDENBURGER INVEST Beteiligungs-AG, Vienna, Austria  
 - Mediaprint Zeitungs- und Zeitschriften GmbH & Co. KG, Vienna, Austria (chairman)  
 - NÖM AG, Baden, Austria (chairman)  
 - NÖM International AG, Baden, Austria (deputy chairman)  
 - Raiffeisen Bank International AG, Vienna, Austria (deputy chairman)  
 - Raiffeisen Bausparkasse Gesellschaft m.b.H., Vienna, Austria (2nd deputy chairman)  
 - Raiffeisen Zentralbank Österreich AG, Vienna, Austria  
 - STRABAG SE, Spittal, Austria (deputy chairman)  
 - UNIQA Versicherungen AG, Vienna, Austria  
 - Z & S Zucker und Stärke Holding AG, Vienna, Austria (chairman)

**Hans Hartl \*\*)**

**Ergolding**

State area chairman of Gewerkschaft Nahrung-Genuss-Gaststätten in Bavaria

*Memberships in other domestic, statutory supervisory boards*

- BATIG Gesellschaft für Beteiligungen mbH, Hamburg  
 - Brau Holding International GmbH & Co. KGaA, Munich (deputy chairman)  
 - British American Tobacco (Germany) GmbH, Hamburg  
 - British American Tobacco (Industry) GmbH, Hamburg

**Reinhold Hofbauer \*\*)**

**Deggendorf**

Chairman of the works council of the Plattling plant of Südzucker AG Mannheim/Ochsenfurt

**Wolfgang Kirsch**

**Königstein**

Chairman of the executive board of DZ BANK AG

*Memberships in comparable German and foreign supervisory committees*

- Banco Cooperativo Español S.A., Madrid, Spain  
 - Landwirtschaftliche Rentenbank, Frankfurt/Main  
 - Österreichische Volksbanken-AG, Vienna, Austria  
 - SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

*Group mandates*

- Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (chairman)  
 - R+V Versicherung AG, Wiesbaden (chairman)  
 - Union Asset Management Holding AG, Frankfurt a. Main (chairman)

**Georg Koch**

**Wabern**

Chairman of the executive board of Verband der Zuckerrübenanbauer Kassel e.V.

**Klaus Kohler \*\*)**

**Bad Friedrichshall**

Chairman of the works council of the Offenau plant of Südzucker AG Mannheim/Ochsenfurt

**Erhard Landes**

**Donauwörth**

Chairman of Verband bayerischer Zuckerrübenanbauer e. V.

**Bernd Maiweg\*\*)**

**Gütersloh**

Divisional officer of Gewerkschaft Nahrung-Genuss-Gaststätten

**Dr. Arnd Reinefeld \*\*)**

(until February 28, 2011)

**Offstein**

Manager of the Groß-Gerau, Offenau and Offstein plants of Südzucker AG Mannheim/Ochsenfurt

**Joachim Rukwied**

**Eberstadt**

President of Landesbauernverband in Baden-Württemberg e. V.

*Memberships in comparable German and foreign supervisory committees*

- AGRA-EUROPE Presse- und Informationsdienst GmbH, Bonn  
 - Costcenter Landesbauernverband Baden-Württemberg GmbH, Stuttgart

**Ronny Schreiber \*\*)**

**Einhausen**

Chairman of the works council of the Mannheim head office of Südzucker AG Mannheim/Ochsenfurt

**Franz-Rudolf Vogel \*\*)**

**Worms**

Chairman of the works council of the Offstein plant of Südzucker AG Mannheim/Ochsenfurt

**Wolfgang Vogl**

(since March 1, 2011)

**Bernried**

Manager of the Plattling and Rain plants Südzucker AG Mannheim/Ochsenfurt

**Roland Werner \*\*)**

**Saxdorf**

Chairman of the works council of the Brottewitz plant of Südzucker AG Mannheim/Ochsenfurt

\*) Group mandates in the Südzucker group and in the Raiffeisen-Holding Niederösterreich-Wien group

\*\*) Employee representative

## THE EXECUTIVE BOARD

### Dr. Wolfgang Heer (spokesman) Ludwigshafen

#### Departments

- Sugar sales
- Strategic corporate planning/  
group development/participations
- Public relations
- Organization/IT
- Food law/consumer policy/quality assurance
- Staff and social issues
- Marketing
- Auditing

#### Group mandates

- AGRANA Beteiligungs-AG, Vienna, Austria (deputy chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna, Austria (chairman)
- BENEIO GmbH, Mannheim
- Freiburger Holding GmbH, Berlin (chairman)
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A., Paris, France
- Südzucker Polska S.A., Breslau, Poland (deputy chairman)
- Z & S Zucker und Stärke Holding AG, Vienna, Austria (deputy chairman)

### Dr. Thomas Kirchberg Ochsenfurt

#### Departments

- Agricultural policies
- Beets
- Animal feed/by-products
- Agricultural operations/commodity markets
- Agricultural research and development

#### Group mandates

- AGRANA Beteiligungs-AG, Vienna, Austria
- BENEIO GmbH, Mannheim
- BGD Bodengesundheitsdienst GmbH, Mannheim (chairman)
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A., Paris, France (chairman)
- Südzucker Moldova S.A., Drochia, Moldova (chairman)
- Südzucker Polska S.A., Breslau, Poland (chairman)
- Südzucker Verwaltungs GmbH, Regensburg (chairman)

### Thomas Kölbl Mannheim

#### Departments

- Finance, accounting
- Investor relations, compliance
- Management/controlling
- Operational corporate planning
- Taxation
- Legal issues
- Property/insurance
- Procurement of supplies and consumables

#### Memberships in comparable German and foreign supervisory committees

- Baden-Württembergische Wertpapierbörse GmbH, Stuttgart

#### Group mandates

- AGRANA Bioethanol GmbH, Vienna, Austria
- AGRANA Internationale Verwaltungs- und Asset-Management GmbH, Vienna, Austria
- AGRANA J & F Holding GmbH, Vienna, Austria
- AGRANA Stärke GmbH, Vienna, Austria
- AGRANA Zucker GmbH, Vienna, Austria
- BENEIO GmbH, Mannheim
- CropEnergies AG, Mannheim
- Freiburger Holding GmbH, Berlin
- Mönnich GmbH, Kassel (chairman)
- PortionPack Europe Holding B. V., Oud-Beijerland, Netherlands (chairman)
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A., Paris, France
- Südzucker Polska S.A., Breslau, Poland
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (chairman)

### Prof. Dr. Markwart Kunz Worms

#### Departments

- Production/technology
- Research/development/services
- Procurement of capital goods/maintenance materials and services
- Functional food
- Bioethanol

#### Group mandates

- BENEIO GmbH, Mannheim (chairman)
- CropEnergies AG, Mannheim (deputy chairman)
- Raffinerie Tirlemontoise S.A., Brussels, Belgium (chairman)
- Saint Louis Sucre S.A., Paris, France (deputy chairman)
- Südzucker Polska S.A., Breslau, Poland
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim
- Zuckerforschung Tulln Gesellschaft m.b.H., Vienna, Austria

**Dipl. Ing. Johann Marihart**  
**Limberg, Austria**

*Departments*

- Chairman of the executive board of AGRANA Beteiligungs-AG
- Renewable raw materials
- Starch
- Fruit

*Memberships in comparable German and foreign supervisory committees*

- BBG Bundesbeschaffungsges. m. b. H., Vienna, Austria
- LEIPNIK-LUNDENBURGER INVEST Beteiligungs-AG, Vienna, Austria
- Österreichische Forschungsförderungsgesellschaft mbH, Vienna, Austria (deputy chairman)
- Österreichische Nationalbank AG, Vienna, Austria
- Ottakringer Getränke AG, Vienna, Austria
- Spanische Hofreitschule - Bundesgestüt Piber, Vienna, Austria (chairman)
- TÜV Austria Holding AG, Vienna, Austria (chairman)
- Universität für Bodenkultur, Vienna, Austria

*Group mandates*

- AGRANA Stärke GmbH, Vienna, Austria (chairman)
- AGRANA Zucker GmbH, Vienna, Austria (chairman)
- BENEIO GmbH, Mannheim
- Österreichische Rübensamenzucht Gesellschaft m.b.H., Vienna, Austria (chairman)
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Saint Louis Sucre S.A., Paris, France
- Zuck erforschung Tulln Gesellschaft m.b.H., Vienna, Austria (chairman)





**(27) Other disclosures**

The list of shareholdings is an integral part of the notes to the financial statements and is included in the appendix. From the 2010/11 financial year on, both equity and the annual results of German participations are disclosed uniformly according to HGB. If a profit and loss transfer agreement exists with the relevant participation the annual results are disclosed as zero.

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Ochsenfurt holds over 55 percent of the subscribed capital through its own shareholdings and shares held in trust for its owners. Zucker Invest GmbH, Tulln/Austria, holds a further 10.01 percent of the subscribed capital.

Furthermore, BlackRock Inc., New York/USA, informed the company that it now holds less than 3 percent of the subscribed capital; the notification pursuant to Section 21 (1) of the Securities Trade Act (WpHG) to Südzucker AG Mannheim/Ochsenfurt on July 20, 2010 reads (translation of the original German text):

"The voting rights of BlackRock Financial Management, Inc., New York, USA, in Südzucker AG fell below the threshold of 3 percent on July 15, 2010 and on this date came to 2.92 percent (5,522,940 voting rights). This 2.92 percent (5,522,940 voting rights) is attributable pursuant to Section 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG.

The voting rights of BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, in Südzucker AG fell below the threshold of 3 percent on July 15, 2010 and on this date came to 2.92 percent (5,522,940 voting rights). This 2.92 percent (5,522,940 voting rights) is attributable pursuant to Section 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG.

The voting rights of BlackRock, Inc., New York, USA, in Südzucker AG fell below the threshold of 3 percent on July 15, 2010 and on this date came to 2.96 percent (5,610,113 voting rights). This 2.96 percent (5,610,113 voting rights) is attributable pursuant to Section 22 (1) sentence 1 No. 6 in conjunction with sentence 2 WpHG."

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

The following expenses were incurred in the 2010/11 financial year for services provided by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft:

(€ '000)	2010/11	2009/10
Auditing services	531	573
Tax advisory services	6	24
Other assurance services	45	14
	<b>582</b>	<b>611</b>

### (29) Declaration of compliance per Section 161 AktG

The executive board and supervisory board 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 November 25, 2010. It is available on the Internet via our website at:

<http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Entsprechenserklaerung/>.

### (30) Proposed appropriation of earnings

Retained earnings of Südzucker AG amount to €104,1 million (€85,2 million). It will be proposed to the annual general meeting that a dividend of €0.55 (€0.45) per share be distributed and be appropriated as follows:

(in €)	2010/11	2009/10
Distribution of a dividend of € 0.55 per share on 189,353,608 no-par shares	104.144.484,40	85.209.123,60
Transfer to new account	4.084,98	6.734,54
<b>Retained earnings</b>	<b>104.148.569,38</b>	<b>85.215.858,14</b>

If on the day of the annual general meeting treasury shares exist, the resolution proposal will be modified—in the event of a distribution of €0.55 per no-par value share entitled to a dividend – to have the corresponding higher remaining value carried forward.

The dividend is to be paid on July 22, 2011.

## APPENDIX TO THE NOTES: LIST OF SHAREHOLDINGS

<b>Companies included in consolidation and list of shares held of Südzucker AG Mannheim/Ochsenfurt, Mannheim as of February 28, 2011</b>						
(Information pursuant to § 313 para. 2 and § 285 No. 11 HGB)						
	Location	Country	SZ share (%)	Indirect holding %	Equity (€ million)	Earnings after tax (€ million)
<b>I. Fully consolidated companies</b>						
<b>Sugar segment</b>						
<b>- Sugar Belgium</b>						
	Raffinerie Tirlemontoise S.A.	Brussels	Belgium	99,41	1.188,46	108,42
	Tiense Suikerraffinaderij Services g.c.v.	Brussels	Belgium	100,00	958,80	30,33
<b>- Sugar France</b>						
	Saint Louis Sucre S.A.	Paris	France	99,76	43,40	12,22
	Société Française d'Organisation et de Participations "S.F.O.P."	Paris	France	100,00	15,95	0,07
<b>- Sugar Austria</b>						
	AGRANA Zucker GmbH	Vienna	Austria	100,00	262,53	26,43
	AGRANA Marketing- und Vertriebsservice Gesellschaft m.b.H.	Vienna	Austria	100,00	5,28	0,33
<b>- Sugar Poland</b>						
	Südzucker Polska S.A.	Wroclaw	Poland	96,65	167,02	60,89
	Cukrownia Pustkow S.A. w likwidacji	Pszemno	Poland	96,58	10,71	0,37
<b>- Sugar Romania</b>						
	S.C. AGRANA Romania S.A.	Bukarest	Romania	91,33	16,55	-1,43
<b>- Sugar Slovakia</b>						
	Slovenské Cukrovary s.r.o.	Sereď	Slovakia	100,00	24,14	3,58
<b>- Sugar Czech Republic</b>						
	Moravskoslezské Cukrovary A.S.	Hrusovany	Czech Republic	97,66	61,09	7,80
<b>- Sugar Hungary</b>						
	AGRANA Magyarország Értékesítési Kft.	Budapest	Hungary	100,00	5,42	-0,25
	Biogáz Fejlesztő Kft.	Kaposvár	Hungary	100,00	-0,11	-0,11
	Koronás Irodaház Szolgáltató Korlátolt Felelősségű Társaság	Budapest	Hungary	100,00	1,40	-0,06
	Magyar Cukorgyártó és Forgalmazó Zrt.	Budapest	Hungary	87,56	79,70	5,72
<b>- Sugar Bulgaria</b>						
	AGRANA Bulgaria AD	Sofia	Bulgaria	100,00	0,02	0,01
	AGRANA Trading EOOD	Sofia	Bulgaria	100,00	0,32	0,06
<b>- Sugar Bosnia</b>						
	AGRANA BIH Holding GmbH	Vienna	Austria	100,00	13,14	-0,01
<b>- Sugar Moldova</b>						
	Agro-SZM S.R.L.	Drochia	Moldova	99,94	-3,24	-0,74
	Südzucker Moldova S.A.	Drochia	Moldova	83,64	40,01	9,67
<b>- Sugar others</b>						
	AGRANA Beteiligungs-AG	Vienna	Austria	0,55	37,75	574,02
	Agrar und Umwelt AG Loberau	Rackwitz		100,00	17,69	1,76
	Agrofrucht, Handel mit landwirtschaftlichen Produkten Gesellschaft m.b.H.	Vienna	Austria		100,00	0,53
	AHG Agrar-Holding GmbH	Mannheim	Germany	100,00	0,03	* 1)
	AIH Agrar-Industrie-Holding GmbH	Mannheim	Germany	100,00	0,21	0,00
	BGD Bodengesundheitsdienst GmbH	Mannheim	Germany	100,00	0,03	* 1)

	Location	Country	SZ share (%)	Indirect holding %	Equity (€ million)	Earnings after tax (€ million)
Brüder Herfeld Gesellschaft m.b.H.	Vienna	Austria		100,00	2,72	0,52
INSTANTINA Nahrungsmittel Entwicklungs- und Produktionsgesellschaft m.b.H.	Vienna	Austria		66,67	7,80	1,32
James Fleming & Co. Ltd.	Midlothian	Great Britain		100,00	9,61	1,25
Mönnich GmbH	Kassel	Germany	100,00		3,15	* 1)
Rafti BV	Wijchen	Netherlands		100,00	11,99	2,73
Raftir Nederland Beheer B.V.	Groningen	Niederlande		100,00	6,66	0,04
Sächsisch-Thüringische Zuckerfabriken Verwaltungsgesellschaft mbH	Mannheim	Germany	100,00		0,03	0,00
S.O.G.E.L.A.F. SARL	Paris	France		100,00	32,45	0,14
Südprojekt Silo und Logistik GmbH & Co. KG	Mannheim	Germany	100,00		27,27	7,17
Südzucker Hellas E.P.E.	Athens	Greece		100,00	0,32	0,33
Südzucker Holding GmbH	Mannheim	Germany	100,00		708,72	* 1)
Sudzucker Ibérica, S.L.U.	Barcelona	Spain		100,00	1,59	1,03
Südzucker International Finance B.V.	Oud-Beijerland	Netherlands	100,00		6,86	1,32
Südzucker Tiefkühl-Holding GmbH	Ochsenfurt	Germany	100,00		559,08	* 1)
Südzucker Versicherungs-Vermittlungs-GmbH	Mannheim	Germany	51,00		0,93	0,88
Tiense Suikerraffinaderij Nederland Holding B.V.	Wijchen	Netherlands		100,00	2,56	-0,06
Wolteritzer Agrar GmbH	Rackwitz	Germany		100,00	0,16	* 1)
W.T. Mather Ltd.	Lancashire	Great Britain		100,00	3,10	0,00
Zschortauer Agrar GmbH	Rackwitz	Germany		100,00	0,03	* 1)
Zschortauer Futtermittel GmbH	Rackwitz	Germany		74,00	1,20	0,14
Nougat Chabert & Guillot SA	Montelimar	France		99,75	3,12	-0,29 3)
Montelimar Provence (CI) S. C. I.	Montelimar	France		99,98		3)
S.C.I. DU MARINET	Upie	France		100,00		3)
AGRANA Zucker, Stärke und Frucht Holding AG	Vienna	Austria	50,00		384,38	25,71 3)
Z & S Zucker und Stärke Holding AG	Vienna	Austria		100,00		3)
<b>Special products segment</b>						
<b>- BENE0</b>						
BENE0 GmbH	Mannheim	Germany	100,00		169,98	* 1)
BENE0 Inc.	Morris Plains	USA		100,00	5,52	0,85
BENE0-Orafti Asia Pte. Ltd.	Singapore	Singapore		100,00	0,61	0,10
BENE0-Orafti Latinoamerica Coordenação Regional Ltda.	Moema, Sao Paulo	Brazil		100,00	0,12	0,06
BENE0-Orafti S.A.	Oreye	Belgium		100,00	156,21	-3,94
BENE0-Palatinit Asia-Pacific Pte Ltd.	Singapore	Singapore		100,00	1,81	0,13
BENE0-Palatinit GmbH	Mannheim	Germany	15,00	85,00	93,58	* 1)
Orafti Chile S.A.	Pemuco	Chile		100,00	197,21	4,86
Orafti Espana S.L.	Barcelona	Spain		100,00	0,89	0,21
REMY ITALIA S.P.A.	Confienza (PV)	Italia		66,70	0,78	0,24
BENE0-Remy N.V.	Wijgmaal (Leuven)	Belgium		100,00	92,26	-0,60 3)
Nutriz N.V.	Wijgmaal (Leuven)	Belgium		77,45		3)
Veniremy N.V.	Wijgmaal (Leuven)	Belgium		100,00		3)
<b>- Freiberger</b>						
Freiberger Holding GmbH	Berlin	Germany	10,00	90,00	122,35	* 1)
Alberto Lebensmittel GmbH	Berlin	Germany		100,00	0,03	0,00
Favorit Lebensmittel-Vertriebs GmbH	Berlin	Germany		100,00	0,05	0,01
Feinschmecker Eiscreme und Tiefkühlkost GmbH	Berlin	Germany		100,00	0,08	0,01
Feinschmecker Feinkost GmbH	Berlin	Germany		100,00	0,07	0,00
Fiesta Fine Foods Ltd.	Westhoughton	Great Britain		100,00	0,56	0,00
Freiberger France S.A.R.L.	St. Didier au Mont d'Or	France		100,00	0,04	2,63
Freiberger GmbH	Berlin	Germany		100,00	0,03	0,00
Freiberger Lebensmittel GmbH	Berlin	Germany		100,00	4,61	* 1)
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	Berlin			100,00	51,58	* 2)
Freiberger Polska Sp.z o.o.	Warsaw	Poland		100,00	0,01	1,12
Freiberger UK Ltd.	Spalding	Great Britain		100,00	0,13	0,51
Freiberger USA Inc.	New Jersey 07950	USA		100,00	-0,01	-0,05
Great Star Food Production GmbH & Co. KG	Berlin	Germany		100,00	0,00	* 2)
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.	Oberhofen	Austria		100,00	7,19	2,70
Stateside Foods Ltd.	Westhoughton	Great Britain		100,00	-2,97	3,53
Stateside Holdings Ltd.	Westhoughton	Great Britain		100,00	10,50	3,67

	Location	Country	SZ share (%)	Indirect holding %	Equity (€ million)	Earnings after tax (€ million)
<b>- PortionPack</b>						
	PortionPack Europe Holding B. V.	Oud-Beijerland	Netherlands	100,00	51,71	5,03
	Hellma Gastronomicky Servis Praha spol. s.r.o.	Praha	Czech Republic	93,90	2,25	0,33
	Hellma Gastronomie-Service GmbH	Nuremberg	Germany	100,00	6,09	1,67
	Hellma Lebensmittel-Verpackungs-Gesellschaft m.b.H	Vienna	Austria	100,00	0,80	0,23
	Hellma Polska Sp.zo.o.	Krakow	Poland	100,00	0,29	-0,05
	PortionPack Belgium N.V.	Herentals	Belgium	100,00	2,81	-0,18
	Union Edel Chocolate B.V.	BN Haarlem	Netherlands	100,00	0,13	-0,93
	PortionPack Holland B.V.	Oud-Beijerland	Netherlands	100,00	10,00	2,66 <sup>3)</sup>
	Akvina B.V.	Bodegraven	Netherlands	100,00		<sup>3)</sup>
	PortionPack Landgraaf B.V.	Landgraaf	Netherlands	100,00		<sup>3)</sup>
	Steendrukkerij Rotterdam B.V.	Oud-Beijerland	Netherlands	100,00		<sup>3)</sup>
	Van Oordt the portion company B.V.	Oud-Beijerland	Netherlands	100,00		<sup>3)</sup>
	PORTIONPACK IBERIA, S.L.	Barcelona	Spain	100,00	-0,29	-0,19 <sup>3)</sup>
	Sociedad Anónima de Azúcares Especiales (SAES)	La Llagosta (Barcelona)	Spain	100,00		<sup>3)</sup>
	Single Source Limited	Telford / Shropshire	Great Britain	100,00	4,40	1,32 <sup>3)</sup>
	APCS Holdings Limited	Telford / Shropshire	Great Britain	100,00		<sup>3)</sup>
	AP Sachets Limited	Telford / Shropshire	Great Britain	100,00		<sup>3)</sup>
	Central Legal Funding Limited	Telford / Shropshire	Great Britain	75,00		<sup>3)</sup>
	Santeau Limited	Telford / Shropshire	Great Britain	100,00		<sup>3)</sup>
	Sugar Stix Limited	Telford / Shropshire	Great Britain	100,00		<sup>3)</sup>
<b>- Starch</b>						
	AGRANA Stärke GmbH	Vienna	Austria	100,00	160,92	35,79
	AGRANA Bioethanol GmbH	Vienna	Austria	74,90	40,83	5,03
	S.C. A.G.F.D. Tandarei s.r.l.	Tandarei	Romania	99,99	3,54	0,09
<b>CropEnergies segment</b>						
<b>- CropEnergies AG</b>						
	CropEnergies AG	Mannheim	Germany	70,83	332,61	15,93
	BioWanze SA	Brussels	Belgium	100,00	166,97	5,19
	Compagnie Financière de l'Artois SA	Loon-Plage	France	100,00	12,57	1,09
	CropEnergies Beteiligungs GmbH	Mannheim	Germany	100,00	61,23	* <sup>1)</sup>
	CropEnergies Bioethanol GmbH	Zeitz	Germany	100,00	72,44	* <sup>1)</sup>
	RYSSSEN ALCOOLS SAS	Loon-Plage	France	100,00	17,43	2,90
<b>Fruit segment</b>						
<b>- Fruit preparations</b>						
	AGRANA Fruit S.A.S.	Paris	France	100,00	113,71	27,56
	AGRANA Fruit Argentina S.A.	Buenos Aires	Argentina	99,99	3,49	0,36
	AGRANA Fruit Australia Pty Ltd.	Central Mangrove	Australia	100,00	17,91	3,23
	AGRANA Fruit Austria GmbH	Gleisdorf	Austria	100,00	22,32	2,20
	AGRANA Fruit Brasil Indústria, Comércio, Importacao e Exportacao Ltda.	Sao Paulo	Brazil	91,90	5,20	1,06
	AGRANA Fruit Brasil Participacoes Ltda.	Sao Paulo	Brazil	99,99	2,92	0,00
	AGRANA Fruit Dachang Co., Ltd.	Dachang	China	100,00	8,41	1,68
	AGRANA Fruit Fiji Pty Ltd.	Sigatoka	Fiji	100,00	0,78	0,03
	AGRANA Fruit France S.A.	Paris	France	100,00	19,28	3,02
	AGRANA Fruit Germany GmbH	Constance	Germany	100,00	13,81	1,52
	AGRANA Fruit Istanbul Gida Sanayi ve Ticaret A.S.	Zincirlikuyu	Turkey	100,00	5,04	0,45
	AGRANA Fruit Korea Co. Ltd.	Seoul	South Korea	100,00	10,90	1,26
	AGRANA Fruit Latinoamerica S. de R.L. de C.V.	Michoacan	Mexico	99,99	5,38	2,58
	AGRANA Fruit Luka TOV	Winniza	Ukraine	99,97	1,17	0,49
	AGRANA Fruit México, S.A. de C.V.	Michoacan	Mexico	100,00	28,65	0,40
	AGRANA Fruit Polska SP z.o.o.	Ostroleka	Poland	100,00	14,35	0,41
	AGRANA Fruit Services GmbH	Vienna	Poland	100,00	7,15	0,69
	AGRANA Fruit Services Inc.	Brecksville	USA	100,00	11,33	0,49
	AGRANA Fruit Services S.A.S.	Paris	France	100,00	0,27	-0,03
	AGRANA Fruit South Africa (Proprietary) Ltd.	Capetown	South Africa	100,00	4,03	0,48
	AGRANA Fruit Ukraine TOV	Winniza	Ukraine	99,80	28,84	3,81
	AGRANA Fruit US, Inc.	Brecksville	USA	100,00	33,61	5,44
	Agrana Nile Fruits Processing SAE	Qalyoubia	Egypt	51,00	2,38	-0,22

	Location	Country	SZ share (%)	Indirect holding %	Equity (€ million)	Earnings after tax (€ million)
Dirafrost FFI N. V.	Herk-de-Stad	Belgium		100,00	13,98	-1,12
Dirafrost Maroc SARL	Laouamra	Morocco		100,00	2,21	0,09
Financière Atys S.A.S.	Paris	France		100,00	126,70	13,22
Flavors from Florida, Inc.	Bartow	USA		100,00	3,25	0,04
Frefrost SARL	Laouamra	Morocco		100,00	0,39	0,00
o.o.o. AGRANA Fruit Moscow Region	Serpuchov	Russia		100,00	22,37	2,78
Yube d.o.o.	Požega	Serbia		100,00	0,38	0,24
<b>- Fruit juice concentrates</b>						
AGRANA Juice Holding GmbH	Gleisdorf	Austria		100,00	56,29	-6,45
AGRANA Juice Denmark A/S	Køge	Denmark		100,00	1,73	-1,07
AGRANA Juice Magyarország Kft.	Vásárosnamény	Hungary		100,00	11,12	4,95
AGRANA Juice Poland Sp. z.o.o.	Białobrzegi	Poland		100,00	-1,97	-5,49
AGRANA Juice Romania Carei SRL	Carei	Romania		100,00	0,27	-0,04
AGRANA Juice Romania Vaslui s.r.l.	Vaslui	Romania		100,00	1,86	0,43
AGRANA Juice Sales & Customer Service GmbH	Gleisdorf	Austria		100,00	3,50	-0,23
AGRANA Juice Sales & Marketing GmbH	Bingen	Germany		100,00	0,71	-8,37
AGRANA Juice Service & Logistik GmbH	Bingen	Germany		100,00	1,23	0,00
<b>- Fruit others</b>						
AGRANA Internationale Verwaltungs- und Asset-Management GmbH	Vienna	Austria		100,00	237,88	4,77
AGRANA J & F Holding GmbH	Vienna	Austria		100,00	247,62	-0,54
<b>II. Joint ventures</b>						
<b>Sugar segment</b>						
<b>- Sugar Bosnia</b>						
AGRAGOLD Holding GmbH	Vienna	Austria		50,00	10,00	-0,02
AGRANA-STUDEN Betteilungs GmbH	Vienna	Austria		50,00	22,49	0,15
AGRANA Studen Sugar Trading GmbH	Vienna	Austria		50,00	-1,33	-0,21
STUDEN-AGRANA Rafinerija Secera d.o.o.	Brcko	Bosnia-Herzegovina		50,00	2,20	-1,58
<b>Special products segment</b>						
<b>- Starch</b>						
GreenPower E85 Kft	Szabadegyháza	Hungary		50,00	0,01	0,01
HUNGRANA Keményítő- és Isocukorgyártó és Forgalmazó Kft.	Szabadegyháza	Hungary		50,00	148,31	57,46 <sup>3)</sup>
Hungranatrans Kft.	Szabadegyháza	Hungary		50,00		<sup>3)</sup>
<b>CropEnergies segment</b>						
<b>- CropEnergies AG</b>						
CT Biocarbonic GmbH	Zeitz	Germany		50,00	4,32	-0,63
<b>Fruit segment</b>						
<b>- Fruit juice concentrates</b>						
Xianyang Andre Juice Co., Ltd.	Xianyang City	China		50,00	8,84	-3,10
Yongji Andre Juice Co., Ltd.	Yongji City	China		50,00	9,69	-1,06
<b>III. Associated companies (companies consolidated at equity)</b>						
<b>Sugar segment</b>						
<b>- Sugar others</b>						
Maxi S.r.l.	Bolzano	Italy		50,00	9,57	8,21
<b>IV. Not consolidated companies</b>						
<b>- Affiliated companies</b>						
<b>Sugar segment</b>						
<b>- Sugar France</b>						
Acucar e Alcool do Sul Participacoes Ltda.	Alto de Pinheiros	Brazil		100,00		

	Location	Country	SZ share (%)	Indirect holding %	Equity (€ million)	Earnings after tax (€ million)
<b>- Sugar Poland</b>						
	Citrocukier Sp. z o.o.	Pszemno	Poland	100,00	-0,91	-0,37
	Cukrownia Jawor S.A. w likwidacji	Pszemno	Poland	96,64	0,00	0,00
	Cukrownia Lagiewniki S.A. w likwidacji	Pszemno	Poland	97,68	0,00	0,26
	Cukrownia Maloszyn S.A. w likwidacji	Pszemno	Poland	94,79	0,00	0,07
	Südzucker Polska Nieruchomosci Sp. z o.o.	Wroclaw	Poland	74,07	-0,32	-0,27
<b>- Sugar Romania</b>						
	AGRANA AGRO SRL	Roman	Romania	100,00	0,00	0,00
	AGRANA BUZAU SRL	Buzau	Romania	100,00	0,02	0,00
	AGRANA TANDAREI SRL	TANDAREI	Romania	100,00	0,02	0,00
<b>- Sugar Czech Republic</b>						
	PERCA s.r.o.	Hrusovany	Czech Republic	100,00	0,33	0,06
<b>- Sugar others</b>						
	Golborne Ltd.	Lancashire	Great Britain	100,00	-0,04	
	Hosa Trading Importação e Exportação S.A.	Sao Paulo	Brazil	99,00	1,00	0,25
	Österreichische Rübensamenzucht Gesellschaft m.b.H.	Vienna	Austria	86,00	0,65	-0,13
	Sächsisch-Thüringische Zuckerfabriken GmbH & Co. KG	Mannheim	Germany	100,00	0,03	0,00
	Südprojekt Immobilienverwaltungsgesellschaft mbH	Mannheim	Germany	100,00	0,19	0,01
	Südtrans GmbH	Mannheim	Germany	100,00	0,10	0,00
	Südzucker Beteiligungs GmbH	Mannheim	Germany	100,00	0,02	0,00
	Südzucker International GmbH	Ochsenfurt	Germany	100,00	0,03	0,00
	Südzucker Reise-Service GmbH	Mannheim	Germany	100,00	0,62	0,11
	Südzucker Verkauf GmbH	Mannheim	Germany	100,00	0,03	0,00
	Südzucker Verwaltungs GmbH	Regensburg	Germany	100,00	0,03	0,00
	Zuckerforschung Tulln Gesellschaft m.b.H.	Vienna	Austria	100,00	2,92	1,37
<b>Special products segment</b>						
<b>- Starch</b>						
	AGRANA Skrob s.r.o.	Hrusovany	Czech Republic	100,00	0,01	-0,01
	Dr. Hauser Gesellschaft m.b.H.	Hamburg	Germany	100,00	0,11	0,00
<b>Fruit segment</b>						
<b>- Fruit preparations</b>						
	PFD-Processed Fruit Distribution Ltd. (in Liquidation)	Nicosia	Cyprus	100,00	0,01	-0,13 4)
<b>- Fruit others</b>						
	"Tremaldi" Beteiligungsverwaltung GmbH	Vienna	Austria	100,00	0,03	0,00
<b>Joint companies</b>						
<b>Sugar segment</b>						
<b>- Sugar Bosnia</b>						
	"AGRAGOLD" d.o.o.	Brcko	Bosnia-Herzegovina	50,00	1,83	0,59
	AGRAGOLD d.o.o.	Zagreb	Croatia	50,00	0,37	0,20
	AGRAGOLD dooel Skopje	Skopje	Macedonia	50,00	0,05	0,00
	AGRAGOLD trgovina d.o.o.	Ljubljana	Slovenia	50,00	0,20	0,04
	SC0 STUDEN & CO. BRASIL EXPORTACAO E IMPORTACAO LTDA.	Sao Paulo	Brazil	37,75	0,03	0,01
<b>- Other participations &gt; 20 %</b>						
<b>Sugar segment</b>						
<b>- Sugar France</b>						
	ETHANOL NORD SAS	Paris	France	23,73	0,77	-0,03
	Ethanol Union SAS	Paris	France	26,85	0,12	0,15
	GARDEL S.A.	Le Moule	France	24,28	25,27	3,38
	S.C.I.C.A ROYE DESHYDRATATION S.A.	Roye	France	20,54	3,24	0,01
	Sucrierie et Distillerie de Souppes-Ouvré Fils S.A.	Paris	France	44,50	50,62	0,98

	Location	Country	SZ share (%)	Indirect holding %	Equity (€ million)	Earnings after tax (€ million)
Eastern Sugar B.V.	Breda	Netherlands		50,00	10,19	-1,74 <sup>3)</sup>
Eastern Sugar Ceska Republika a.s.	Nemcice nad Hanou	Czech Republic		47,26		<sup>3)</sup>
Eastern Sugar Cukoripari Részvénytársaság	Kaba	Hungary		50,00		<sup>3)</sup>
Eastern Sugar Slovensko A.S.	Dunajska Streda	Slovakia		47,82		<sup>3)</sup>
Eastern Sugar s.r.o.	Dunajska Streda	Slovakia		50,00		<sup>3)</sup>
Eastern Sugar Szolgáltató Kft	Kaba	Hungary		50,00		<sup>3)</sup>
<b>- Sugar Czech Republic</b>						
DELHIA SHELF s.r.o.	Hrusovany	Czech Republic		100,00		
<b>- Sugar Hungary</b>						
Cukoripari Egyesülés	Budapest	Hungary		44,27		
<b>- Sugar Other</b>						
Felix Koch Offenbach Couleur und Karamel GmbH	Offenbach	Germany		25,10	7,27	2,21
Fernwärmeversorgung Ochsenfurt GmbH	Ochsenfurt	Germany	33,33		0,63	0,05 <sup>4)</sup>
<b>Special products segment</b>						
<b>- BENEÓ</b>						
INVITA Australia PTE Ltd	East Botany	Australia		35,00	0,22	1,56
<b>Fruit segment</b>						
<b>- Fruit preparations</b>						
Ukrainian microbiological center of synthesis and newest technologies	Winniza	Ukraine		40,00		
* Profit and loss transfers						
1) Exemption per § 264 para. 3 HGB						
2) Exemption per § 264b HGB						
3) Information for sub-group						
4) Data of last available financial statements						



## RESPONSIBILITY STATEMENT

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

Mannheim, May 5, 2011

THE EXECUTIVE BOARD

Dr. Heer

Dr. Kirchberg

Kölbl

Prof. Dr. Kunz

Marihart

## AUDITORS' REPORT

We have audited the financial statements – comprising the balance sheet, income statement and the notes to the financial statements – including the bookkeeping and the management report of Südzucker Aktiengesellschaft Mannheim/Ochsenfurt, Mannheim, for the financial year from March 1, 2010 to February 28, 2011. Bookkeeping and the preparation of financial statements and the management report in accordance with German commercial law are the responsibility of the executive board of the company. Our responsibility is to express an opinion on the financial statements – taking the bookkeeping into consideration – and on the management report based on our audit.

We conducted our audit of the financial statements in accordance with Section 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements, prepared in accordance with German generally accepted accounting principles, and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping, financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the executive board as well as evaluating the overall presentation of the financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with generally accepted accounting principles. The management report is consistent with the financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 5, 2011

**PricewaterhouseCoopers**

**Aktiengesellschaft**

**Wirtschaftsprüfungsgesellschaft**

(Dr. Ralf Worster)

(Olav Krützfeldt)

Auditor

Auditor

## **IMPRINT**

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