Annual Report Südzucker AG 2007/08

SÜDZUCKER

– Overview of 2007/08
– Key figures

We succeed in creating new markets –
sugar as a raw material for non-food products

Sugar is used to make things sweet – nothing new there. But shoes? Innovative futuristic applications for our sugar are presented on four double-page spreads – and we are working on discovering and creating further exciting products and applications.

Overview of 2007/08

- Group revenues comparable to last year at € 5.8 billion
- Transition phase following the reform of the EU sugar market regulation impacts group operating profit, which declines by 44 % to € 233 (419) million
- Sugar segment operating profit lower due to missing exports and EU restructuring levy:
  - Revenues: -2 % to € 3,464 (3,543) million
  - Operating profit: -77 % to € 61 (259) million
- Special products segment reports strong fourth quarter and stable growth:
  - Revenues: +12 % to € 1,463 (1,308) million
  - Operating profit: +13 % to € 129 (115) million
- Fruit segment in line with expectations:
  - Revenues: -5 % to € 853 (915)[1] million, adjusted[2] +9 % to € 853 (781) million
  - Operating profit: -7 % to € 44 (46)[1] million, adjusted[2] +8 % to € 44 (40) million

Outlook for 2008/09

- Easing of the market distortion following implementation of the reform
- Ongoing restructuring phase in the sugar market hampers forecast
- Revenues maintained at last years € 5.6 to € 5.8 billion
- Operating profit expected to range between € 230 and € 260 million

Outlook for 2009/10

- Normalized EU sugar market conditions
- Increasing revenue contributions from the special product and fruit segments
- Revenue climbs to the 2007/08 financial year level of € 5.8 billion
- Operating profit to reach at least € 400 million

[1] 14 months: January 1, 2006 to February 28, 2007
[2] 12-month comparison: March 1, to February 28/29, 2007 and 2008 respectively.

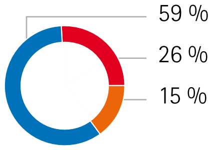
Key figures

		2007/08	2006/07	2005/06	2004/05	2003/04
Revenues and earnings						
Revenues	€ million	5,780	5,765	5,347	4,827	4,575
EBITDA	€ million	489	682	669	724	677
as % of revenues	%	8.5	11.8	12.5	15.0	14.8
Operating profit	€ million	233	419	450	523	479
as % of revenues	%	4.0	7.3	8.4	10.8	10.5
Net earnings (loss) for the year	€ million	100	–246	305	358	307
Cash flow and capital expenditures						
Cash flow	€ million	498	554	527	550	522
Capital expenditures on fixed assets[1]	€ million	497	537	426	500	307
Capital expenditures on financial assets	€ million	53	62	216	590	181
Total capital expenditures	€ million	550	599	642	1,090	488
Performance						
Fixed assets[1]	€ million	2,596	2,574	2,368	2,094	1,679
Goodwill	€ million	1,104	1,109	1,746	1,671	1,412
Working capital	€ million	1,431	965	1,107	882	1,000
Capital employed	€ million	5,005	4,767	5,221	4,646	4,091
ROCE	%	4.7	8.8	8.6	11.3	11.7
Capital structure						
Shareholders' equity	€ million	3,299	3,362	3,733	2,738	2,386
Equity ratio	%	41.7	42.4	47.1	38.0	39.5
Asset cover	%	125.1	144.9	135.7	119.2	131.7
Net financial debt	€ million	1,508	811	1,177	1,672	1,100
Earnings (loss) per share	€	0.10	–1.72	1.36	1.67	1.48
Dividend per € 1 share	€	0.40[2]	0.55	0.55	0.55	0.50
Employees		18,642	19,575	19,903	17,494	17,973
Employees sugar segment		10,043	10,885	11,678	12,001	13,812
Sugar production	1,000 t	4,579	4,602	5,210	5,132	4,442
Sugar factories		39	40	43	44	50

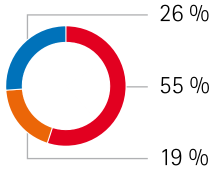
[1] Including intangible assets/additional quotas.
[2] Proposed.

Sugar segment
Special products segment
Fruit segment

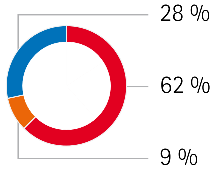
Group revenues:
€ 5.780 million



Group operating profit:
€ 233 million



Capital expenditures on fixed assets[1]:
€ 497 million



Südzucker Aktiengesellschaft
Mannheim/Ochsenfurt

Group Annual Report
for 2007/08
1 March 2007
to 29 February 2008

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

Strategic guidelines/profile/vision

"Reflect and act upon the tasks for today and tomorrow to protect the interests and legitimate concerns of our shareholders, customers, suppliers, staff and future generations."

Südzucker is Europe's leading supplier of sugar products. The company has established a key market position in the special products segment (functional food, starch, chilled/frozen products, bioethanol, portion packs) and fruit segment (fruit preparations/fruit concentrates). Südzucker Group's core competencies ideally satisfy the needs of these growth markets and are the reason for its success.

A particular strength is our many years of experience with sustainable production based on agricultural commodities. Sharply rising international demand for these goods confirms that Südzucker's strategy will enable it to succeed in the future. Südzucker Group relies on its close cooperation with the agricultural industry, the source of its commodities, its broad agricultural commodity processing related production expertise and its marketing experience, particularly in industrial markets. A foundation for customized value added chains has been laid, together with in-house research expertise and an excellent infrastructure.

Transparent organizational structures and lean processes are created to address changed production capabilities and changing markets using design and adaptation processes inherent to the system. Efficiency improvement programs are systematically initiated and continuously monitored at all levels of the value-added chain.

The terms of our strategic goal are broad. We want to work on shaping the future with our partners in a responsible manner, based on a vision of sustainable profitable growth and long-term improvement in shareholder value. To achieve this, we will penetrate new profitable business areas along the value-added chain in addition to conducting our traditional core business, a process we have already started. This can be accomplished through organic growth, alliances and acquisitions. Exceptional motivation combined with recognition of excellent performance will help us achieve our objective. We consider far-reaching structural changes, such as those we currently face in the sugar area, to be an opportunity for the group's evolution and market growth.

We know where we want to go. Our approach is to establish benchmarks in all our business areas.

Contents

The numbers in brackets in the report represent the corresponding prior year's figures or item. Because the fruit segment changed its financial year last year, its periods are defined as follows: 2006/07 financial year: January 1, 2006 to February 28, 2007; 2007/08 financial year: March 1, 2007 to February 29, 2008.

Südzucker Group and its segments

Sugar segment	2007/08
Revenues	€ 3,464.1 million
EBITDA	€ 212.8 million
Depreciation of fixed assets and intangible assets	€ -152.3 million
Operating profit	€ 60.5 million
Restructuring/special items	€ -20.3 million
Income from operations	€ 40.2 million
EBITDA margin	6.1 %
Operating margin	1.7 %
ROCE	2.2 %
Capital expenditures on fixed assets	€ 138.7 million
Capital expenditures on additional quotas	€ 2.9 million
Capital expenditures on financial assets	€ 53.0 million
Total capital expenditures	€ 194.6 million
Employees	10,043

Group – Campaign 2007
- 39 sugar factories, 2 refineries
- 28.2 million t beet processed
- 4.6 million t sugar production (incl. raw sugar refining)

Germany
- 11 sugar factories
- 1,714,000 t sugar production

Belgium
- 3 sugar factories
- 599,000 t sugar production

France
- 5 sugar factories and 1 refinery
- 946,000 t sugar production

Austria
- 2 sugar factories
- 379,000 t sugar production

Poland
- 10 sugar factories
- 462,000 t sugar production

Romania
- 1 sugar factory and 1 refinery
- 167,000 t sugar production

Slovakia
- 1 sugar factory
- 49,000 t sugar production

The Czech Republic
- 2 sugar factories
- 101,000 t sugar production

Hungary
- 2 sugar factories
- 121,000 t sugar production

Moldova
- 2 sugar factories
- 41,000 sugar production

Special products segment	2007/08
Revenues	€ 1,462.9 million
EBITDA	€ 195.3 million
Depreciation of fixed assets and intangible assets	€ -66.1 million
Operating profit	€ 129.1 million
Restructuring/special items	€ -18.9 million
Income from operations	€ 110.2 million
EBITDA margin	13.3 %
Operating margin	8.8 %
ROCE	9.0 %
Capital expenditures on fixed assets	€ 312.3 million
Capital expenditures on financial assets	–
Total capital expenditures	€ 312.3 million
Employees	3,903

BENEO Group
(Orafti/Palatinit/Remy)
- Food Ingredients such as inulin, oligofructose, Isomalt, Palatinose™, galenIQ™ and rice derivates
- 5 production locations worldwide

Bioethanol
- Predominantly for the fuel sector
- CropEnergies, 1 production location in Germany, 1 production location in Belgium (under construction), 2 production locations in France (CropEnergies/SLS)
- AGRANA, 1 production location in Austria, 1 production location in Hungary (HUNGRANA)

Freiberger
- Deep-frozen pizzas, pasta, baguettes and chilled pizza
- 5 production locations in Europe

PortionPack Europe
- Portion packs
- 6 production locations

Starch
- For the food- and non-food sectors
- 2 production locations in Austria, 1 each in Hungary and Romania

Fruit segment	2007/08
Revenues	€ 852.5 million
EBITDA	€ 80.6 million
Depreciation of fixed assets and intangible assets	€ -37.1 million
Operating profit	€ 43.5 million
Restructuring/special items	€ -4.6 million
Income from operations	€ 38.9 million
EBITDA margin	9.5 %
Operating margin	5.1 %
ROCE	5.6 %
Capital expenditures on fixed assets	€ 42.9 million
Capital expenditures on financial assets	–
Total capital expenditures	€ 42.9 million
Employees	4,696

Fruit preparations
- High-quality and customer-specific fruit preparations for international food companies (such as dairy products, ice cream and bakeries industries)
- Global market leader
- 26 production locations world-wide, thereof 10 in Europe

Fruit-juice concentrates
- High-value apple-juice and berry juice concentrates
- Leading producer of fruit juice concentrates in Europe
- 11 production locations thereof 10 in Europe and a joint venture with a Chinese apple-juice concentrate producer

Supervisory board and executive board*

Supervisory board

Dr. Hans-Jörg Gebhard
Chairman
Eppingen
Chairman of the Association of
Süddeutsche Zuckerrübenanbauer e. V.

Dr. Christian Konrad
Deputy chairman
Vienna, Austria
Chairman of Raiffeisen-Holding
Niederösterreich-Wien

Franz-Josef Möllenberg**
Deputy chairman
Rellingen
Chairman of the
Food and Catering Union

Heinz Christian Bär
to July 24, 2007
Karben - Burg Gräfenrode
Former vice president of the
Deutsche Bauernverband e. V

Gerlinde Baumgartner**
to July 24, 2007
Osterhofen
Former member of the works council at
the Plattling factory of
Südzucker AG, Mannheim/Ochsenfurt

Dr. Ralf Bethke
since July 24, 2007
Deidesheim
Former chairman of the executive board
of K+S Aktiengesellschaft

Dr. Ulrich Brixner
to July 24, 2007
Dreieich
Former chairman of the executive board
of DZ BANK AG

Ludwig Eidmann
Groß-Umstadt
Chairman of the Association of
Hessisch-Pfälzische
Zuckerrübenanbauer e. V.

Wolfgang Endling**
Hamburg
Divisional officer of the
Food and Catering Union

Dr. Jochen Fenner
Gelchsheim
Chairman of the Association of
Fränkische Zuckerrübenbauer e. V.

Egon Fischer**
to July 24, 2007
Offstein
Former deputy chairman of the works
council at ZAFES Offstein,
Südzucker AG, Mannheim/Ochsenfurt

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

Hans Hartl**
Ergolding
State area chairman of the
Food and Catering Union in Bavaria

Leo Heller**
since July 24, 2007
Bieberehren
Chairman of the works council
at the Ochsenfurt factory of
Südzucker AG, Mannheim/Ochsenfurt

Wolfgang Kirsch
since July 24, 2007
Königstein
Chairman of the executive board of
DZ BANK AG

Klaus Kohler**
Bad Friedrichshall
Chairman of the works council at the
Offenau factory of
Südzucker AG, Mannheim/Ochsenfurt

Erhard Landes
Donauwörth
Chairman of the Association of
Bayerische Zuckerrübenanbauer e. V.

Ulrich Müller
to July 24, 2007
Illsitz
Former chairman of the Association of
Sächsisch-Thüringische
Zuckerrübenanbauer e. V.

Dr. Arnd Reinefeld**
Offstein
Manager of the Groß-Gerau,
Offenau and Offstein factories of
Südzucker AG, Mannheim/Ochsenfurt

Joachim Rukwied
since July 24, 2007
Eberstadt
Chairman of the
Association of Landesbauern
Baden-Württemberg

Ronny Schreiber**
Einhausen
Chairman of the works council at the
Mannheim head office of
Südzucker AG, Mannheim/Ochsenfurt

Franz-Rudolf Vogel**
since July 24, 2007
Worms
Chairman of the works council at the
Offstein factory of
Südzucker AG, Mannheim/Ochsenfurt

Ernst Wechsler
Westhofen
Deputy chairman of the Association of
Hessisch-Pfälzische Zuckerrübenan-
bauer e. V.

Roland Werner**
Saxdorf
Chairman of the works council
at the Brottewitz factory of
Südzucker AG, Mannheim/Ochsenfurt

* Other board memberships are listed starting on page 120 of the annual report. ** Employee representative.

Executive board

Dr. Theo Spettmann
(Spokesman)
Ludwigshafen
Strategic corporate planning/
group development/investments
Public relations
Organization/IT
Food law/consumer policy/
quality control
Personnel and social matters
Marketing

Dr. Thomas Kirchberg
since September 1, 2007
Ochsenfurt
Agricultural policies
Beet/animal feed and by-products
Farms
Agricultural research and development
Audit

Thomas Kölbl
Mannheim
Finance, accounting
Investor relations, Compliance
Financial management/controlling
Operational corporate policy
Taxation, Legal issues
Property/insurance
Procurement of supplies and
consumables

Dr. Wolfgang Heer
Since March 1, 2008
Ludwigshafen
Sugar sales

Prof. Dr. Markwart Kunz
Worms
Production/engineering
Research/development/services
Procurement of capital goods/
maintenance materials and services
Functional food, Bioethanol

Johann Marihart
Limberg, Austria
Chairman of the executive board of
AGRANA Beteiligungs-AG
Renewable raw materials
Starch
Fruit

Dr. Rudolf Müller
to February 29, 2008
Ochsenfurt
Agricultural policies
Beet/animal feed and by-products
Farms
Agricultural research and development
Audit

Frédéric Rostand
to April 3, 2007
Paris, France

Members of the executive board (from left).
Thomas Kölbl, Dr. Thomas Kirchberg, Prof. Dr. Markwart Kunz, Dr. Theo Spettmann, Dr. Wolfgang Heer, Johann Marihart.

Report of the supervisory board

Dear shareholders,

In 2007/08, developments at the Südzucker Group were largely shaped by turbulence in the agricultural markets. The sugar segment had to contend with the sluggish implementation of the new sugar market regulations, the burden of the restructuring levy and the lost export opportunities. On a more positive note, the company was able to further expand its industrial sugar business, which was also established as a result of the new market regulations. In the special products segment, the focus was on bioethanol. While bioethanol production the world over suffered from dramatic price increases related to its primary raw material, grains, CropEnergies was not only able to keep its production systems running flat out, but also generate a noteworthy return. This contrasted sharply with its European competitors and was due to the company's timely signing of supply contracts, diversification over a broad range of input raw materials and the use of sugar syrups. The fruit segment had to cope with weather-related harvest shortages and as a result, could not fully achieve its ambitious goals. Nevertheless, we were able to set the stage for further growth in China in the future by expanding our commitment to the region.

The supervisory board dealt intensively with the business development, financial position and corporate outlook of Südzucker Group in 2007/08. The focus was on opportunities and risks in the sugar segment, and issues related to a sustainable manufacturing structure and further cost savings potential. Even against the backdrop of higher raw material prices and the environment and energy policy debates, the supervisory board's outlook for CropEnergies AG continues to be positive, since in the face of finite fossil energy sources, there is presently no alternative to renewable raw materials - including in the transportation sector - and CropEnergies' concept has competitive advantages.

Again in 2007/08, the supervisory board completely fulfilled its duties as required by the law, the company's bylaws and the rules of procedure. The supervisory board closely advised and supervised the executive board on an ongoing basis.

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

The executive board reported verbally and in writing between meetings of the supervisory board regarding issues of major importance. The reports by the executive board included the position and development of the company, corporate policy, profitability as well as corporate, treasury, capital expenditure and research and development budgets related to Südzucker AG and the group. In addition, the supervisory board chairman took part in executive board meetings and was informed by the chair of the executive board in countless working meetings about all important business transactions.

A new supervisory board was elected in 2007/08, and the future course of the company was set on the personnel side by successions at the executive board level.

Supervisory board meetings and decisions | The supervisory board met at one extraordinary and five ordinary meetings in 2007/08, each time with the executive board in attendance. A member was absent due to illness at four of the sittings; otherwise all members of the supervisory board attended the meetings in person. The members who were unable to attend submitted their votes in writing. The supervisory board approved each of the executive board's decisions after a thorough review and discussions.

At an extraordinary supervisory board meeting held on May 10, 2007, the only issue on the agenda was the structural program and the associated closure of the Groß-Gerau and Regensburg factories.

At its financial review meeting on May 22, 2007, the supervisory board approved the closure of the Groß-Gerau and Regensburg factories. The meeting also dealt with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated February 28, 2007. Following the auditor's report and in depth discussions, the supervisory board endorsed the annual financial statements and the consolidated financial statements. This meeting also dealt with the resolutions for the July 24, 2007 annual general meeting.

The five-year plan was discussed at the supervisory board meeting dated July 23, 2007, a day ahead of the annual general meeting for 2007.

At the supervisory board meeting dated July 24, 2007, following the annual general meeting, a new supervisory board was elected. Votes were cast for the chair and the two deputies. Members of the executive committee of the supervisory board, the audit committee, the agricultural committee, the mediation committee and the economic and social committee were nominated.

Agenda items at the supervisory board's meeting of November 22, 2007, were the earnings projection for 2007/08, discussions and decisions on the quota surrender during the first wave, the Functional Food Holding presentation and the handling of key corporate governance questions, including a resolution on the declaration of compliance for 2007.

At the January 24, 2008 supervisory board meeting, the projected results for the 2007/08 consolidated financial statements, the decision on the quota surrender for the second wave and compliance/risk management were discussed in detail.

In September 2007, the supervisory board members made use of the written procedure to unanimously approve an investment proposal that was a matter of urgency.

Supervisory board committees | The supervisory board set up five committees to enable it to fulfill its duties efficiently (executive committee, mediation committee, audit committee, agricultural committee and economic and social committee), each of which is made up an equal number of shareholders' and employees' representatives. Page 122 of the annual report lists the names of the individuals on the various committees.

The supervisory board executive committee met three times in 2007/08. These meetings dealt mainly with executive board personnel issues and decisions.

The audit committee met twice during the year. At its May 10, 2007 meeting and in the presence of the external auditors it discussed in detail matters relating to the annual financial statements of Südzucker AG and the consolidated financial statements. It prepared the supervisory board financial review meeting - at which the chair of the audit committee reported - and subsequently approved the recommendations of the audit committee. At its meeting following the annual general meeting, the audit committee appointed the external auditors and set out the main areas for the external audit for 2007/08. In accordance with the recommendations of the German corporate governance code, the chair of the audit committee is not the same person as the chair of the supervisory board.

A meeting of the agricultural committee, which was attended by all members, was held after the harvest report to discuss agricultural issues.

All members attended the audit committee meetings whenever they were held.

Neither the mediation committee nor the economic and social committee convened during the fiscal year just ended.

Corporate Governance | At its meeting on November 22, 2007, the supervisory board discussed in detail the company's compliance with the recommendations and suggestions (including the changes incorporated on June 14, 2007) of the German corporate governance code.

It reviewed a questionnaire that was sent to the supervisory board members in advance of the meeting regarding an assessment of the effectiveness of its activities. Included in the analysis were supervisory board procedures, the information flow between the committees and the supervisory board plenum and whether the executive board's reports to the chair were timely and sufficiently detailed. Ways to improve efficiency were also analyzed.

A discussion was held at the meeting regarding the need to establish an additional nomination committee to prepare candidate recommendations for the supervisory board elections. However, the supervisory board concluded that such a committee is not necessary. All supervisory board members will continue to be given the opportunity to participate in proposing candidates from among their peers for the election of supervisory board members.

There were no conflicts of interests during the reporting period.

A comprehensive description of corporate governance at Südzucker, including a copy of the declaration of compliance for 2007 issued by the executive and supervisory boards, can be reviewed in the corporate governance report on page 65 of the annual report. In addition, all relevant information is available on the Internet at http://www.suedzucker.de/investorrelations/en/.

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

Financial statements | PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, was selected by the shareholders at the annual general meeting at the recommendation of the supervisory board. The auditor has issued an unqualified audit opinion on each of the financial statements and management report of Südzucker AG for 2007/08, the recommendation of the executive board for appropriation of the retained earnings and the consolidated financial statements and management report for 2007/08. The auditor also confirmed that the executive board suitably complied with its duties as outlined in article 91, para. 2 of the German Corporation Act. In particular, it established an appropriate information and monitoring system that meets the needs of the company and that appears suitable for early detection of developments that may threaten the company's survival.

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

The documents to be audited and the audit reports were sent to each supervisory board member in a timely manner. The auditor participated in the audit committee's May 15, 2008 meeting and in the supervisory board's financial review meeting of May 27, 2008 and provided a detailed report on the proceedings and result of its audit. After carefully reviewing the auditor's reports, the supervisory board agreed with the results of the audit. The results of the preliminary review by the audit committee and the results of its own review are in complete agreement with the results of the external audit. The supervisory board raised no objections to the audit reports submitted. In its meeting of May 27, 2008, it endorsed the financial statements for Südzucker AG and consolidated financial statements of the Südzucker Group prepared by the executive board. The financial statements of Südzucker AG are thus adopted. The supervisory board concurs with the executive board's recommendation regarding the distribution of a dividend in the amount of € 0.40 per share.

Board members | The term of office of the then current supervisory board members ended at the conclusion of the annual general meeting on July 24, 2007. The following members resigned from the supervisory board: representing the employees, Ms. Gerlinde Baumgartner and Mr. Egon Fischer, and representing the shareholders, Mr. Heinz Christian Bär, Dr. Ulrich Brixner and Mr. Ulrich Müller. All departing members are owed a vote of thanks and recognition for their commitment to the company's well being.

At the annual general meeting in 2007, the following members were reelected: Dr. Hans-Jörg Gebhard, Dr. Christian Konrad, Mr. Ludwig Eidmann, Dr. Jochen Fenner, Mr. Erwin Hameseder, Mr. Erhard Landes and Mr. Ernst Wechsler. Dr. Ralf Bethke, Mr. Wolfgang Kirsch and Mr. Joachim Rukwied were newly elected to the supervisory board. Prior to the meeting, the employees had reelected Mssrs Franz-Josef Möllenberg, Hans Hartl and Wolfgang Endling from the Gewerkschaft NGG (Food and Catering Union), Manfred Fischer, Klaus Kohler, Ronny Schreiber, Roland Werner, as well as Dr. Arnd Reinefeld, and had newly elected Mssrs Leo Heller and Franz-Rudolf Vogel to represent them on the supervisory board. At the constituent meeting of the supervisory board on July 24, 2007, Dr. Hans-Jörg Gebhard was reelected chairman and Mr. Franz-Josef Möllenberg and Dr. Christian Konrad were elected as deputies.

At the beginning of April 2007, board member Mr. Frédéric Rostand, who was also CEO of the French subsidiary Saint Louis Sucre S.A., left the company to pursue other interests.

On November 22, 2007, Dr. Theo Spettmann's and Prof. Dr. Markwart Kunz's appointment to the executive board was extended until the conclusion of the annual general meeting of 2009 and 2013 respectively. Dr. Wolfgang Heer was nominated as a full member of the executive board until the end of the 2012/13 financial year at the January 24, 2008 sitting. Dr. Heer took over the sugar sales department from Dr. Spettmann.

Dr. Rudolf Müller, who has been a member of Südzucker's executive board since the merger with Frankenzucker in 1988, retired on February 29, 2008, the close of the financial year. The supervisory board thanks Dr. Müller for his energetic commitment toward the company's well being. Succeeding Dr. Müller, Dr. Thomas Kirchberg was appointed as a full member of the executive board by the supervisory board at its meeting of November 23, 2006 for a term of five years, which ends August 31, 2012.

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

Mannheim, May 27, 2008
The supervisory board
Dr. Hans-Jörg Gebhard
Chairman

Sugar is our steady companion!

State-of-the-art innovative processes are essential to using sugar to produce synthetic materials whose physical properties make them suitable for manufacturing, say, modern sports footwear.

Dear shareholders,

Fiscal 2007/08 was a year of challenges for Südzucker. It demanded a high degree of flexibility to limit the influence of short-term factors, while at the same time building a base to maintain and strengthen our long-term corporate strategy.

As the European market leader in the sugar segment, we have set a clear example for the European sugar business with our participation in the EU quota repurchase program. We chose this route after quota returns fell short of the EU's specified target of about six million tonnes of sugar and the EU announced that it would – without financial compensation – withdraw the quotas remaining in 2010, regardless of the amount outstanding. The choice was made easier for us after the EU agricultural ministry improved the 2006 sugar market reforms in fall 2007 and created significant incentives for beet growers and the sugar industry. The 2008/09 quota returns program was divided into two "waves". The first wave consisted of a voluntary quota surrender to the end of January 2008 in the amount of at least the preventive market withdrawal for the 2007/08 sugar marketing year, which was 13.5 %. We took advantage of this ruling and instituted a group-wide return of 0.61 million tonnes of sugar quota to the funds during the first wave. After the commission published the total of the quotas surrendered during this wave, we were able to establish the amount we would surrender in the second wave. Here the group-wide total was 0.26 tonnes, for a grand total of 0.87 tonnes or 21 % of the quota. We intend to address the associated elimination of quota beets with the offer of "industrial beets". These beets are not subject to the rules of the market regulations and the sugar produced this way may only be used for precisely specified non-food purposes.

These steps, which were planned in close cooperation with our beet growers, will enable us to largely avoid the non-compensated quota reductions for the 2010/11 sugar marketing year, which were otherwise expected. This is because 5.64 million tonnes of the EU-wide quota reduction of 6 million tonnes of sugar called for by the commission have now already been returned.

This also means that the EU, which until now had been a net sugar exporter, will not be able to meet its demand for sugar and will become the second largest sugar importer, after Russia. This clearly shows the substantial impact the EU production cut regulations have on Europe's sugar business. Südzucker anticipated this scenario very early on and by selecting appropriate alternative courses of action, was able to respond quickly and flexibly within the framework of the corporate strategy.

But Südzucker's journey has not yet ended. The shifts in the EU sugar market due to this restructuring have weighed on our results this year and will also be a burden next year.

We started a new chapter in 2006 when we established our bioethanol division. Biofuels are currently being discussed by a wide variety of interested parties, but one thing is clear: existing fossil energy sources are finite, energy consumption around the world is rising dramatically and there are no alternatives to renewable energy sources. Our highly efficient factory in Zeitz, Germany and the new energy technology we are using at our Wanze, Belgium facility not only make us competitive, but also the European market leader. It will take years for other technologies to become mature enough to reach the manufacturing stage. Our approach here is that in times of climate change and increasingly scarce fossil fuel sources, companies that produce the right products over the long term are the most likely to enjoy market success.

We have merged the functional food division with the BENEO Group. We are working successfully on new generations of products that will be marketed worldwide.

By developing and manufacturing specialty starches, we reduce our dependency on the global raw material prices in this sector. Innovations based on in-house research and development expertise are also what drive the continued successful diversification of the starch division's product mix.

In the fruit segment, we have established the global market benchmark when it comes to manufacturing top quality fruit preparations and fruit juice concentrates. We have faced the difficult challenges of the Chinese market by broadening our commitments there. This is exactly what is needed to generate opportunities that will result in future competitive advantages in the world market.

The core identifying feature of our group of companies is and will remain their ability to manufacture sustainably producible goods from agricultural raw materials for secondary industries and end users. The driving force behind and basis for our lasting success is working in partnership with our customers, the agricultural sector and our employees. Thanks to these partnerships and our own efforts, we will continue to be an interesting investment in the food and agricultural industry for our shareholders. Supported by our dedicated employees, we will once again make every effort in 2008/09 to justify the trust you have placed in us.

Yours truly,
Südzucker AG, Mannheim/Ochsenfurt
The executive board

Südzucker share and capital market

Südzucker share data

		2007/08	2006/07
Dividend per share	€/share	0.40[1]	0.55
Dividend yield	%	2.76	3.44
Average share price	€/share	15.13	19.19
High for the year	€/share	16.66	22.20
Low for the year	€/share	13.38	15.97
Closing price XETRA® (period end)	€	14.50	15.97
Average trading volume/day[2]	million of shares	1.8	1.2
Market capitalization as of period end	€ million	2,746	3,024
Number of shares issued at € 1		189,353,608	189,353,608
Key figures			
Earnings (loss) per share	€	0.10	-1.72
Cash flow per share	€	2.63	2.93
Price-cash flow ratio[3]		5.5	5.5

[1] Proposed. [2] Daily volume on all German stock markets.
[3] Ratio of closing price XETRA® and cash flow per share.

Capital market environment | Driven by rising earnings forecasts from German companies as a result of strong economic growth, the DAX® and MDAX®, after a weak March 2007, started to soar and reached record highs in July 2007. However, the beginning of the market crisis related to US subprime mortgages and the associated weakness in the US real estate market triggered stock market corrections in both the United States and Europe. The US mortgage crisis expanded to become a worldwide credit crisis in the second half of 2007, with international banks being forced to write down their loans portfolios, in some cases substantially. The US Fed and the European Central Bank (ECB) attempted to mitigate the credit tightening by injecting liquidity and lowering prime lending rates. The credit tightening and the concerns about reduced consumer spending in the United States stoked fears about a worldwide recession, which led to ongoing uncertainty in the global capital markets. German stock markets were very volatile and in the second half of 2007, the DAX® moved sideways while the MDAX® dropped. In early 2008, amid speculation and execution of stop loss orders, share prices plummeted in market crash fashion. By the end of February 2008, the DAX® and MDAX® had recovered somewhat. During Südzucker's fiscal year 2007/08, the DAX® rose 0.5 % while the MDAX® lost 6.2 %. The indices closed at 6,748.13 and 9,093.54 respectively on February 29, 2008.

Südzucker's share price performance | The performance of our share price in fiscal 2007/08 was conflicted by the strains of European sugar market reforms, improvements in these reforms announced by the EU commission in October 2007 and the recession fears of international financial markets triggered by the US mortgage crisis. From a high of € 15.97 per share on February 28, 2007 (closing value for the 2006/07 financial year), Südzucker's share price initially significantly declined against the market trend as a result of an announcement regarding a goodwill adjustment, and in March 2007 traded below € 14.

Südzucker's stock subsequently rose significantly and reached a high for the year of € 16.66 on July 12, 2007. A second price correction started at the end of July as a result of the emerging US mortgage crisis. The positive decision on implementing the so-called "reform of the reform" of the sugar market regulations at the beginning of October spurred our share price to a high of € 16.08 at the beginning of January 2008. Our share price was unable to avoid the turbulence generated by the subprime crisis on January 10, 2008 on European, Asian and US stock markets, and the price dropped in an increasingly volatile environment, although less severely than the DAX® and MDAX®. Südzucker's shares recovered from a low of € 13.41 on January 23, 2008 and at the end of the business year, February 29, 2008, closed at € 14.50 on XETRA® trading segment.

The concurrence of the described macroeconomic and sector-specific factors resulted in a higher absolute volatility in Südzucker's share price relative to the prior year. However, relative to the MDAX®, the share price performance maintained its long-established historic stability (beta factor 0.71, prior year 0.78).

In the fourth quarter, Südzucker's share price closed the previous performance gap compared to the MDAX®, and when evaluated over the entire reporting period, performed in line with this index. Including the dividend payment of € 0.55 per share for the 2006/07 fiscal year, Südzucker shares declined by 5.8 % in fiscal 2007/08. In comparison, the MDAX® lost 6.2 % over the same time frame.

Long-term shareholder value | As continued, long-term investors were able to benefit from Südzucker AG's sustainable strategy and the relatively stable value growth of the shares, despite the latest turbulence in the financial markets. An investor acquiring 1,589 Südzucker shares on March 1, 1988 (beginning of the financial year after the merger with Südzuckerfabrik Franken) at a price equivalent to € 6.29 per share or € 10,000, who re-invested the cash dividends (excluding tax credits) in new shares and participated in capital increases without supplemental cash investments, would have had assets of € 67,909[1] on February 29, 2008, a gain of 579 %. A securities account holding Südzucker shares thereby returned on average 10.0 % annually, just below the comparable MDAX® return of 11.3 %. The long-term value growth compared to the DAX® (average return of 9.6 % per annum) is somewhat better, with comparably lower volatility.

Market capitalization and indices | At a closing price of € 14.5 per share, and with an unchanged 189.4 million common shares outstanding, the company's market capitalization at year end was € 2.746 billion, which translates to a weighting on the MDAX® of 1.1 % for Südzucker's stock. Südzucker's shares were also contained on the following international indices as of the period end: FTSE Euromid, MSCI Germany/Europe and Dow Jones Euro STOXX℠ TMI Value. The latter focuses on European value stocks, which are listed based on criteria such as dividend yield, P/B ratio and P/E ratio.

During the financial year just ended, there was a continuation of the trend toward higher trading volumes of Südzucker's shares. The average daily volume on all German stock markets increased relative to last year, from 1.2 to 1.8 million shares, or about € 28 million per trading day[2]. The value of shares traded for the year was € 6.9 billion compared with € 5.8 billion the year prior.

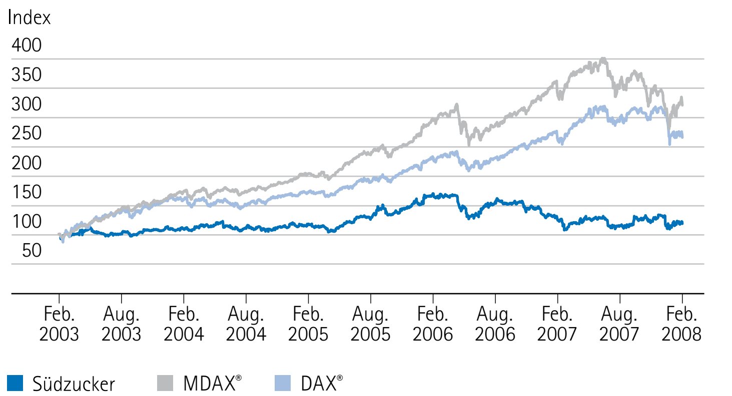
Shareholder structure | The unchanged stable ownership structure during the reporting period just ended demonstrates the continued close cooperation between Südzucker AG and its raw material suppliers. Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) continues to be a majority shareholder with a stake of about 55 %, which is comprised of shares held by the association itself and those held in trust on behalf of beet growers. The second-largest major shareholder, Zucker Invest GmbH (formerly ZSG), an Austrian company, continues to own

Südzucker share price movement vs. MDAX®

From March 2007 to February 2008

Südzucker share price movement compared with the DAX®/MDAX®

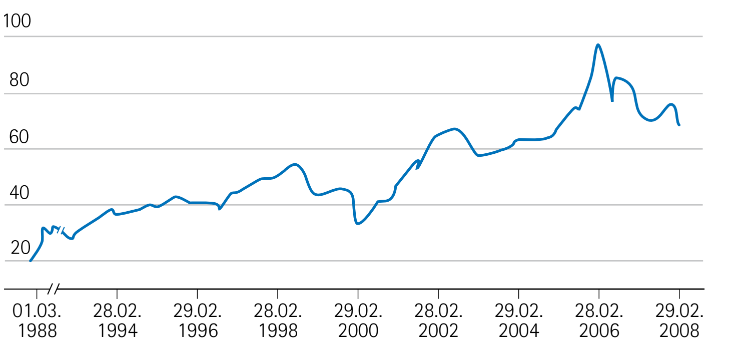
(Indexed)



Long-term increase in Südzucker share value

assuming re-investment of dividends (excluding tax credit) and rights

Value in € thousands



[1] Based on: Spot price, floor of Frankfurt Stock Exchange.
[2] Sources: Deutsche Börse, BNP Paribas: total volume of shares traded on all German stock markets on which Südzucker shares are listed.

11 % of Südzucker AG. The former ZSG changed its name to Zucker Invest GmbH on February 7, 2008. In accordance with article 21, para. 1 of the German Securities Trading Act, AXA Paris S.A. informed us on January 16, 2008 that it had exceeded the mandatory reporting threshold of 3 % and that it had acquired 3.31 % of the voting rights. These shares are part of the free float, which has remained steady at 34 % of the total 189.4 million Südzucker shares issued.

Annual general meeting 2007 | As in previous years, the strong interest of our shareholders in the developments at Südzucker were clearly demonstrated by the high turnout at the ordinary annual general meeting on July 24, 2007 at Mannheim's Congress Center Rosengarten. About 3,100 persons participated, representing over 79 % of the equity holders entitled to vote on the resolutions. This was significantly higher than last year and again substantially above the German average of about 58 %[1]. All items on the meeting agenda were approved by a majority of over 99 %.

Investor relations | Transparent, balanced and timely communication with shareholders and the capital markets is essential, particularly in times of upheaval. During the 2007/08 business year just ended, our investor relations (IR) team continued to expand its communications program. In numerous individual one-on-one discussions, telephone calls and correspondence, IR kept up an intensive dialogue with institutional and private investors, analysts and rating agencies, keeping them up to date on strategic developments at the group. Important components of our capital markets communications program were our participation at investor conferences in Frankfurt and Munich and our annual analysts' conference in Frankfurt. At the international level, we expanded our communications in 2007/08 by organizing investor road shows to the key European financial centers. Road shows and presentations for institutional and private investors enabled the executive board and the IR team to familiarize stakeholders in presentations and one-on-one meetings with the complex interrelationships in Südzucker's markets and thereby potentially expand the number of investors interested in Südzucker shares.

Last business year, more investment banks began covering Südzucker's shares. Regular analyses and publications by analysts regarding the stock are additional vehicles for addressing a larger circle of potential and current investors.

The main focus of our capital market communications included the European sugar market reforms, the effects of the "reform of the reform" adopted by the EU commission in September 2007, as well as Südzucker's subsequent strategic and operational response to these events.

We provide all investors with timely information related to the price of our shares and bonds, corporate news and the financial calendar under the IR heading at our Web site at http://www.suedzucker.de/en/investorrelations/. We also make available the latest quarterly and annual reports for viewing and downloading as of their publication date. The contact page enables interested parties to submit questions regarding our company. These are answered in a timely manner by Investor Relations. Since last financial year, we have been publishing the presentations used by the executive board and IR team in their road shows and capital market conferences – a new service. As a result, these presentations are now also available to private investors for the first time. In addition, since the 2007/08 business year, all investors are able to download from our Web site a recording of the executive board's remarks regarding the respective quarterly reports, for a period of up to four weeks after the release of the quarterly report. We have also expanded our investor services in the area of bonds. We now provide at our Web site for viewing or downloading, a short description and the terms and conditions of all outstanding Südzucker bonds.

Südzucker share stock market data

ISIN	DE 000 729 700 4
WKN	729 700
Stock exchanges	XETRA®, Frankfurt, Stuttgart, München, Hamburg, Berlin, Düsseldorf, Hannover (over-the-counter)
Ticker symbol	SZU
Reuters ticker symbol	SZUG.DE (XETRA®), SZUG.F (floor trades, Frankfurt)
Bloomberg ticker symbol	SZU GY (XETRA®)

[1] Source: SdK e. V. (referred to the 50 MDAX® companies in the year 2007).

Bonds and rating | We engage in a close dialogue with the leading rating agencies Moody's Investor Service ("Moody's") and Standard & Poor's ("S&P") in order to give our bond investors continuous transparency regarding business developments. The long-term rating evaluates the overall creditworthiness of the group as well as all outstanding corporate bonds.

The 6.25 % coupon bond (volume € 300 million, term 2010), the 5.75 % coupon bond (volume € 500 million, term 2012) and the 3 % convertible bond (volume € 250 million, term 2008) are included in the rating, as well as the perpetual subordinated hybrid bond with a coupon of 5.25 % (volume € 700 million, term 2015 with renewal option).

As of the record date February 29, 2008, the agencies issued an identical rating for both the company and the bond; namely, Baa2 (Moody's) and BBB (S&P), both with a stable outlook. The hybrid bond was rated as Ba1 by Moody's and BB by S&P. Moody's grants the hybrid bond an equity credit of 75 %, while S&P gives it 50 %.

The slightly lower rating compared to last year reflects the agencies' consideration of the charges related to the EU sugar market reforms, while on the other hand, the stable outlook gives credit to the ongoing strategic and operational adjustments made by Südzucker.

Dividend for fiscal 2007/08 | The executive and supervisory boards will recommend to the annual general meeting on July 29, 2008 that a dividend of € 0.40 per share be distributed. Based on the 189.4 million no-par shares issued, this will result in a dividend distribution of € 75.7 million. The executive and supervisory boards have based their recommendation on the lower consolidated net earnings for the 2007/08 financial year, as well as the upcoming charges associated with the last year of the transition phase in the sugar segment.

The dividend yield of Südzucker shares as of the record date of February 29, 2008, based on the recommended dividend distribution of € 0.40 per share and the year-end closing price of € 14.50, is therefore 2.76 %. Once again, this is higher than the comparable dividend yield of the MDAX®, which is 2.07 %.

Südzucker AG bonds

Bond 6.25 % 2000/2010 | € 300 million	
DE 000 178 080 7	**Stock market:** Frankfurt (listed), Stuttgart and Berlin (over-the-counter)
Bond 5.75 % 2002/2012 | € 500 million	
DE 000 846 102 1	**Stock market:** Frankfurt (listed), Stuttgart and Düsseldorf (over-the-counter)
Convertible bond 3.00 % 2003/2008 | € 250 million	
DE 000A0 AABH 1	**Stock market:** Frankfurt (listed), Stuttgart (over-the-counter)
Hybrid bond 5.25 % 2005 Perpetual NC 10 | € 700 million	
XS 0222524372	**Stock market:** Luxemburg (listed), Frankfurt, Stuttgart, München, Berlin (over-the-counter)

Sugar feeds vitamins!

Sugar also helps produce vitamins. Vitamin B_2, which plays a key role in human metabolic processes, is one example of a substance produced with the help of sugar.

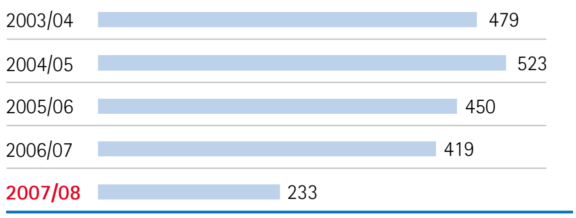
Consolidated management report: results of operations, financial position and net assets

Group business performance

		2007/08	2006/07
Revenues	€ million	**5,779.6**	**5,764.9**
EBITDA	€ million	**488.7**	**681.8**
Depreciation on fixed assets and intangible assets	€ million	–255.6	–262.4
Operating profit	€ million	**233.1**	**419.4**
Restructuring/ special items	€ million	–43.8	32.1
Goodwill impairment loss	€ million	–	–580.4
Income from operations	€ million	**189.3**	**–128.9**
EBITDA margin	%	8.5	11.8
Operating margin	%	4.0	7.3
ROCE	%	4.7	8.8
Capital expenditures on fixed assets	€ million	493.9	377.6
Capital expenditures on additional quotas	€ million	2.9	158.8
Capital expenditures on financial assets	€ million	53.0	62.4
Total capital expenditures	€ million	**549.8**	**598.8**
Employees		18,642	19,575

Group operating profit

€ million



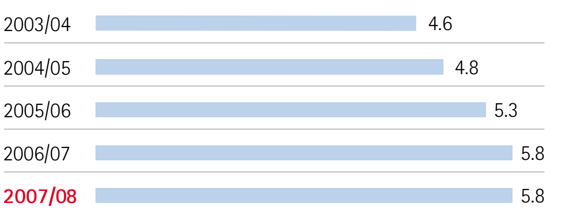
Operating profit | Consolidated operating profit declined by 44 %, to € 233 (419) million. This drop was driven by the upheavals in the European sugar market, which led to the expected dramatic reduction in the sugar segment's operating profit. In contrast, the special products segment was able to generate significantly higher profits. After adjusting for the profit contribution from the prior year's year-end realignment, the fruit segment's result was also higher than a year earlier.

Group revenues and operating profit

Revenues | In 2007/08 the group's revenues came in at € 5,780 (5,765) million, unchanged from last year. Revenues in the second half year were sufficient to compensate for the shortfall during the first half of the year. Substantially higher revenues in the special products segment were able to fully offset the decline in the sugar segment, which was caused by missing exports in the first half of the year, and the missing fruit segment revenues due to the realignment of year-ends.

Group revenues

€ billion



Group income statement

Income (loss) from operations | Income from operations of € 189 (-129) million is comprised of an operating profit of € 233 (419) million and the results of restructuring and special items at € -44 (32) million, a large portion of which are attributable to the capacity reductions in the sugar sector. Last year, we had to address the pending quota reductions with goodwill write-downs totaling € 580 million.

Results of restructuring and special items | Of the results of restructuring and special items totaling -€ 44 million, -€ 20 million are attributable to the sugar segment. The sugar group participated in the so called first wave of voluntary quota returns and surrendered 0.6 million tonnes. In return, the restructuring fund provided a grant of € 305 million, which almost completely offsets the expenses with regards to the disposal of the additional quotas acquired and the expenses associated with factory closures. The capacity reduction associated with the quota returns led to the closure of the following factories: Groß-Gerau, Regensburg, Brugelette/Belgium, Guignicourt/France, Petőháza/Hungary, as well as Chybie and Lubna, both in Poland. Expenses relate to severance agreements and dismantling programs, as well as write-downs on asset values.

Group income statement

€ million	2007/08	2006/07
Revenues	**5,779.6**	**5,764.9**
Operating profit	233.1	419.4
Restructuring/special items	–43.8	32.1
Goodwill impairment loss	–	–580.4
Income from operations	**189.3**	**–128.9**
Income/financial results/loss for the year from associated companies	23.4	0.7
Earnings from financing activities	–92.7	–99.0
Earnings before taxes	**120.0**	**–227.2**
Taxes on income	–20.3	–18.8
Consolidated net earnings	**99.7**	**–246.0**
thereof Südzucker AG shareholders	19.5	–326.6
thereof hybrid capital	26.2	22.8
thereof other minority interests	54.0	57.8
Earnings per share (€)	**0.10**	**–1.72**

To improve cost structures, the partial retirement program at Südzucker AG was expanded, an early retirement scheme was added in Belgium and a severance plan was implemented in connection with the relocation of the head office of Saint Louis Sucre S.A., France. In addition, a concept to optimize packaging stations is being implemented in France. Because the decision to close the raw sugar refining facility in Marseille was deferred, the associated restructuring provisions and extraordinary write-downs were reversed.

In the special products segment, the € -19 (141) million result of restructuring and special items includes the start-up costs of the bioethanol plants in Belgium and Austria and the profit from the sale of the Ryssen Group consumer bottling business.

In the fruit segment, the restructuring result of € -5 (0) million includes the cost of closing AGRANA Fruit Bohemia s.r.o. in Kaplice/Czech Republic.

Income from associated companies | Income from associated companies rose to € 23 (1) million and consists primarily of the prorated income from Eastern Sugar B.V. Eastern Sugar's foreign subsidiaries stopped producing sugar after the 2006 campaign and returned their sugar quotas to the restructuring fund. In addition to revenues from operations, Eastern Sugar received a compensation payment associated with an arbitration agreement.

Financial result | The financial result improved by € 6 million year-over-year, closing at € -93 (-99) million. The higher interest expenses resulting from increased interest rates and a higher average level of debt were more than offset by capital gains on securities sold plus the higher income from investments.

Taxes on income | Taxes on earnings before taxes of € 120 (-227) million were € 20 million, which gives a tax rate of 17 %. The corporate tax reform legislation enacted in 2008 reduces the annual tax rate on German corporations from previously 38 % to now 29 %. The revaluation of German deferred taxes resulting from this change led to a one time tax yield of € 15 million.

Consolidated net earnings | Given the difficult market environment, fiscal 2007/08 ended with satisfactory consolidated net earnings of € 100 million, which compares to a consolidated net loss of € 246 million last year. The remainder of the group consolidated net earnings relate mainly to other minority interests; namely, the co-owners of the AGRANA and CropEnergies Groups.

Earnings per share | Earnings per share rose to € 0.10 per share, versus -€ 1.72 per share the year prior.

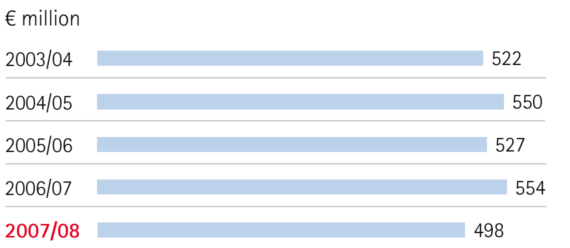
Group cash flow statement

Group cash flow statement

€ million	2007/08	2006/07
Cash flow	**498.0**	**554.0**
Increase (–)/decrease (+) in working capital	**–692.2**	**324.0**
Capital expenditures on fixed assets		
Sugar	138.7	139.4
Special products	312.3	190.4
Fruit	42.9	47.8
Total capital expenditures on fixed assets	**493.9**	**377.6**
Capital expenditures on sugar quotas	**2.9**	**158.8**
Capital expenditures on financial assets	**53.0**	**62.4**
Total capital expenditures	**549.8**	**598.8**
Dividends paid	**–161.5**	**–162.8**

Cash flow | Cash flow reached € 498 million, which compares to € 554 million last year. The financing requirements resulting from the increase in working capital of € 692 million were due to a 170,000 tonnes increase in sugar inventories caused by the large harvest and the failure of the EU market withdrawal. In the special products and fruit segments, inventories rose due to both price and volume. In some cases, raw material inventories were increased to secure price levels in the face of volatile market prices. Payment for the additional quota acquired the previous year was due before the end of February 2008. The restructuring grant of € 305 million will be paid in two installments; 40 % in June 2009 and 60 % in February 2010. Trade receivables have also increased due to the significantly higher sugar sales in Italy and Greece.

Cash flow



Capital expenditures | The group's capital expenditures on fixed assets and intangible assets totaled € 494 (378) million. The sugar segment's capital outlay of € 139 (139) million was allocated toward replacement spending and the construction of a cane raw sugar refinery in Brčko/Bosnia-Herzegovina. In the special products segment, € 218 million of the capital expenditures of € 312 (190) million were for the bioethanol plant in Wanze/Belgium which is currently under construction, completion of the bioethanol plant in Pischelsdorf/Austria and expansion of the bioethanol plant in Zeitz. Another major spending item was the investment by the special products segment for the expansion of the HUNGRANA cornstarch, isoglucose and bioethanol facility in Hungary. The fruit segment's capital expenditures of € 43 (48) million were for productivity improvement, expansion of fruit juice tank capacities in China and completion of the fruit preparation factory in Brazil.

Additional sugar quotas were acquired in the Czech Republic at a cost of € 3 (159) million.

Capital expenditures on financial assets of € 53 (62) million were mainly to add to our share of the sugar factories in Eastern Poland and Silesia, and a 50 % stake in Maxi S.R.L., Bozen/Italy, where the Italian sugar sales activities are being consolidated and expanded.

Profit distribution | The profit distribution of € 162 (163) million is for the dividend payment of € 104 million to shareholders of Südzucker AG in July 2007. The remaining profit distribution primarily relates to hybrid capital and the co-owners of our AGRANA subsidiary.

Group balance sheet

Assets totaled € 7,917 (7,932) million, about the same as last year. The solid equity ratio of 42 (42) % remains unchanged.

Group balance sheet

€ million	29.02.2008	28.02.2007
Assets		
Non-current assets	4,263.0	3,950.9
Current assets	3,654.4	3,981.0
Total assets	**7,917.4**	**7,931.9**
Liabilities and shareholders' equity		
Shareholders' equity	3,299.5	3,361.9
Non-current liabilities	2,031.8	2,364.7
Current liabilities	2,586.1	2,205.3
Total liabilities and shareholders' equity	**7,917.4**	**7,931.9**
Net financial debt	1,507.6	810.9
Equity ratio	41.7 %	42.4 %
Equity to fixed assets ratio II	121.5 %	144.9 %

The € 312 million increase in non-current assets to € 4,263 million is mainly the result of restructuring fund receivables. The significant investments in bioethanol plants, which led to an increase in fixed assets, are offset by the disposal of acquired additional quotas from the intangible assets associated with the quota surrender.

Current assets declined by € 327 million to € 3,654 million. The investments and the increases in inventories were financed by reducing cash and cash equivalents by € 614 million.

The decrease of € 333 million in long-term debt resulted in a final total of € 2,032 million. This is primarily due to the reclassification of the convertible bond due on December 8, 2008 to current liabilities.

The increase in other long- and short-term provisions is primarily due to the increased partial retirement accruals and accruals for early retirement schemes, together with accruals for severance plans and dismantling programs that had to be formed in conjunction with factory closures and the required adjustment of the general administration cost structure.

The increase in net financial debt to € 1,508 million is due to the capital spending on the expansion of bioethanol capacities and working capital financing needs.

Recommendation on appropriation of profits

The executive and supervisory boards will recommend to the annual general meeting on July 29, 2008 that a dividend of € 0.40 per share be distributed. Based on the 189.4 million shares issued, this will result in a dividend distribution total of € 75.7 million. The executive and supervisory boards have based their recommendation on the lower group profits for 2007/08, as well as the upcoming charges in 2008/09 associated with the last year of the transition phase in the sugar segment.

Sugar turns sour!

For example, citric acid, a universal and highly effective household decalcifier we cannot imagine doing without is formed from carbohydrates such as sugar.

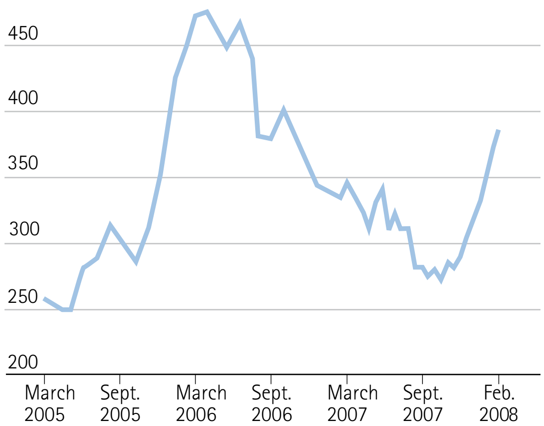

entkalker
mit
Zitronensäure

Sugar segment
Market developments

Global market

Global market sugar prices

March 2005 to February 2008
London, white sugar, in US-$/tonne, nearest forward trading month



Global market price | The global market price for sugar was US $ 340 per tonne at the beginning of March 2007. By mid-September, it had dropped to US $ 270 per tonne. Subsequent widespread buying by hedge funds, which considered sugar to be undervalued in the agricultural sector compared to other commodities, caused the price to recover, and it reached US $ 387 per tonne in February 2008.

Quantities | The price level was primarily driven by continued high production levels - 168.9 million tonnes were produced, while demand was only 154.9 million tonnes. Sugar consumption continues to rise at 3 % per annum, but in the last two years, sugar production has expanded by about 12 % - almost exclusively in Asia. That caused global sugar inventories to climb to 86.2 (74.4) million tonnes in 2007/08, which is 55.8 % (49.2) of one year's consumption.

Global markets: Key figures[1]

	2007/08	2006/07	2005/06
Beet sugar as a percentage of total production (%)	21.0	22.0	26.1
Inventories at 31 August as a percentage of consumption (%)	55.8	50.4	43.8

[1] F.O. Licht, second estimate of global sugar production/levels 2007/08 dated 27 March 2008.

European Union

EU sugar production | The commission is expecting the European Union's total production of quota and non-quota sugar from the new 2007/08 campaign to rise to 17.2 (16.7) million tonnes. Quota sugar production itself will shrink to 14.4 (15.4) million tonnes.

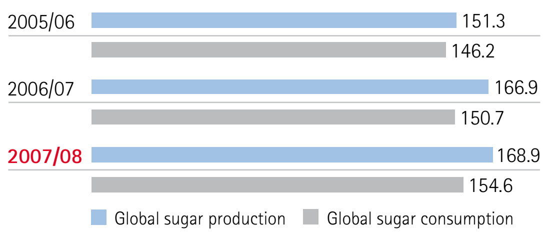
Sugar market regulation | The sugar market regulation enacted on July 1, 2006 will be in force until September 2015. The political goal is to comply with WTO requirements and bilateral trade agreements, while at the same time improving the European sugar sector's competitiveness. EU sugar and beet prices will fall, and about 6 million tonnes less quota sugar will be produced. A restructuring fund supported by the sugar industry has been established to compensate individual companies that voluntarily decide to reduce their EU quota production. Inefficient sugar producers therefore have an opportunity to return their quotas, and be reimbursed for doing so.

Minimum price for sugar beets | Aside from introducing the restructuring fund, a key part of the sugar market regulation reform is to gradually reduce sugar and sugar beet prices by 2009/10. In fiscal 2007/08, minimum sugar beet prices fell a further € 3.08 per tonne, or 9.4 %, to € 29.78 per tonne, in accordance with the second price reduction phase of the initiative. The reference price for white sugar will not start to be formally reduced until sugar marketing year 2008/09.

Restructuring fund | The first two years since the introduction of the restructuring fund have demonstrated that

Global sugar production and consumption[1]

1,000 t raw value



[1] F.O. Licht, second estimate of global sugar levels 2007/08 dated 27 March 2008.

the concept is viable in principle. However, since only 2.2 million tonnes of quota were returned to the restructuring fund during this period, the EU Agricultural Ministry decided to improve the concept. The most important changes are: the assistance granted to sugar beet growers has been increased and the € 173.8 per tonne restructuring levy imposed on sugar industry companies has been waived on the portion of the sugar quotas returned to meet the preventive withdrawal for the 2007/08 sugar marketing year. Voluntarily returned quotas will be partially credited in the event a mandatory reduction is imposed in 2010/11. As a result of the improvements, the EU commission had received applications for restructuring assistance for a total of 4.84 million tonnes of quota by the end of February 2008. The gap to reach the EU commission's target of 6 million tonnes of quota returns is therefore now only 1.16 million tonnes. Sugar companies returning quotas in the amount of at least the previous year's preventive market withdrawal during the first wave were given the opportunity to return additional quotas, for which they would receive compensation, during a second wave ending in March 2008. The total quota returns (including Spain for the 2009/10 sugar marketing year) subsequently rose to 5.64 million tonnes, leaving about 0.36 tonnes to reach the goal of 6 million tonnes returned.

Südzucker Group has so far returned 0.61 tonnes of sugar quota to the restructuring fund for 2008/09. The company has applied to the restructuring fund for compensation for a further 0.26 million tonnes of sugar quota for the 2008/09 sugar marketing year; i.e., a total of 0.87 million tonnes or 21 % of the quota, in order to avoid non-compensated reductions in 2010/11.

Market withdrawal | The commission imposed a preventive market withdrawal in March 2007, but did not define a further market withdrawal between then and the end of October 2007 for the 2007/08 sugar marketing year. Neither has the EU commission used this instrument so far for the 2008/09 sugar production campaign.

Production levy | The new SMR regulation comes into force in 2007/08. No production levy was applied in 2006/07.

Imports from ACP countries and India | The EU has opened its sugar market to ACP countries and LDCs. A total of 2.7 million tonnes were imported in sugar marketing year 2007/08.

When the agreement with the ACP countries was revised, the European commission established a term of 15 months for the 2008/09 sugar marketing year - from July 1, 2008 to September 30, 2009. The increase in the supply quotas of the individual ACP countries is prorated in line with the three-month extension.

Free trade agreement with Moldavia | The EU commission has signed a free-trade agreement with Moldavia, which allows up to 15,000 tonnes per year of white sugar originating in that country to be imported duty-free effective January 1, 2008. This quota will be increased by 34,000 tonnes per year until 2015.

WTO II negotiations | Following the meeting of the G6 Nations' trade ministers in July 2006, WTO II negotiations were officially postponed until further notice because the representatives' negotiating positions were too far apart, but technical negotiations have been underway since the world economic forum in Davos at the end of January 2007. The EU commission's member states have not changed their negotiating position.

Recovery budget NA-I goods | Again in 2007/08, sugar processors will be compensated for the price difference between the EU and global market price for sugar for products they market outside the EU to ensure their export opportunities are not restricted.

Wine market regulation | Following difficult negotiations in December 2007, the EU agricultural ministers agreed on a reform package for the wine market regulation. The important thing for the sugar industry is that the northern wine growing countries, such as Austria and Germany, will continue to be permitted to chaptalize (add sugar to) must. The original EU commission recommendation had been to prohibit chaptalization, but this was rejected by most countries.

Sugar segment
Business performance

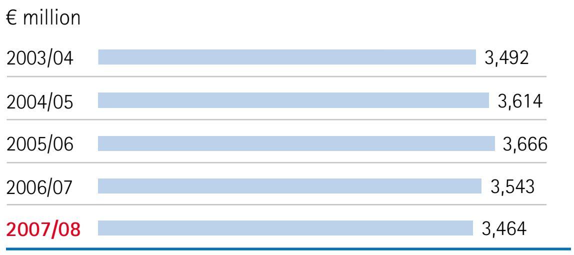
The sugar segment's numbers relate to Südzucker AG, Südzucker Polska, Südzucker Moldavia, Raffinerie Tirlemontoise, Saint Louis Sucre and AGRANA. These companies produced 4.6 million tonnes of sugar in thirty-nine sugar factories and two refineries. The plants are located in Germany, Belgium, France, Poland, Austria, Slovakia, the Czech Republic, Hungary, Moldavia and Romania. Südzucker is by far the largest sugar producer in Europe, with a 24 % share of the EU's sugar quota. Agriculture and animal feed are two other key areas that belong to the segment.

Sugar segment business performance

		2007/08	2006/07
Revenues	€ million	**3,464.1**	**3,542.8**
EBITDA	€ million	**212.8**	**412.5**
Depreciation on fixed assets and intangible assets	€ million	–152.3	–153.2
Operating profit	€ million	**60.5**	**259.3**
Restructuring/ special items	€ million	–20.3	–108.7
Goodwill impairment loss	€ million	–	–482.4
Income from operations	€ million	**40.2**	**–331.8**
EBITDA margin	%	6.1	11.6
Operative margin	%	1.7	7.3
ROCE	%	2.2	9.6
Capital expenditures on fixed assets	€ million	138.7	139.4
Capital expenditures on additional quotas	€ million	2.9	158.8
Capital expenditures on financial assets	€ million	53.0	5.3
Total capital expenditures	€ million	**194.6**	**303.5**
Employees		10,043	10,885

Revenues | The sugar segment's revenues fell to € 3,464 (3,543) million. This decline is above all due to a dramatic drop in sugar exports in the first half of the financial year. A significant amount of C-sugar was exported for the last time in the first half of 2006/07 following a bumper harvest. This market is no longer accessible following the lost WTO panel case. The industrial sugar business, which is now operating year-round, has already contributed satisfactorily to sugar sales, but was unable to offset the missing C-sugar exports. The EU commission significantly restricted quota sugar exports in the second half of 2006/07, which led to lower revenues. The restrictions were not as severe during the second half of 2007/08.

Sugar segment revenues



Operating profit | The sugar segment's operating profit fell to € 61 (259) million in 2007/08, and was thus the main cause of the group's lower operating profit. This dramatic decline in 2007/08 was in accordance with forecasts and was driven by the continued restructuring phase following the sugar market regulation reform.

The previous year's substantial C-sugar exports were missing, and the new industrial sugar business was unable to fully offset this contribution. Cost cuts were successfully implemented to offset the first stage of the reduced factory margin in 2006/07. The second phase of factory margin reductions was enacted at the beginning of the 2007/08 sugar marketing year on October 1, 2007, which led to further charges. Developments in the EU's regional sugar markets were varied, but were particularly difficult in Western Europe. This too negatively impacted earnings.

Since the EU commission decided not to impose a further market withdrawal prior to reducing the reference price effective October 1, 2008, Südzucker sees no profitable use for this quota sugar amount. For the 2008/09 sugar marketing year, Südzucker returned sugar quotas in almost all countries in the amount of at least the preventive market withdrawal level for 2007/08. The company was therefore able to avoid the burden of the substantial restructuring levies for this non-produced sugar.

The results of restructuring and special items were once again negative at € -20 (-109) million. This is primarily attributable to the disposal of the acquired sugar quotas and the charges due to factory closures, which could not be fully offset by the restructuring aid provided by the EU. Income from operations reached € 40 (-332) million.

Performance of the companies

The campaign and sales figures for the financial year just ended are subdivided into group, EU, non-EU countries and country entities.

Sugar produced from beets and by refining

Group

For the 2007/08 campaign, Südzucker Group produced 4.30 (4.24) million tonnes of sugar from 28.22 (27.54) million tonnes of sugar beets grown on 438,500 (444,900) hectares and processed in 39 (40) sugar factories. An additional 0.28 (0.36) million tonnes of cane sugar were refined at the refineries in Marseille/France (Saint Louis Sucre) and Buzau/Romania (AGRANA). The group produced a total of 4.58 (4.60) million tonnes of sugar, almost the same as last year.

A few years ago, the company started to store a portion of the intermediate product beet syrup, then completely convert it to sugar in a beet syrup campaign following the beet campaign. This portion was therefore not separately reported, but instead included in the sugar production numbers. But beet syrup is now also sold directly; for example, to the fermentation industry, which is why beet syrup production is now reported separately as a sugar equivalent under the applicable country.

Beet processing in 2007 started first at Südzucker AG in Germany and at the Raffinerie Tirlemontoise in Belgium on September 15. The longest campaign, 117 days, was at AGRANA's Sered factory in Slovakia. The shortest campaigns, which lasted only 59 to 70 (70 to 75) days due to an unusually dry summer, were in the eastern countries of Moldavia, Romania and Hungary. The group average was 90 (86) days.

EU 27

For the Südzucker companies in the EU 27, the beet cultivation area was reduced to 426,500 (428,800) hectares because of the EU's preventive market withdrawal and the sugar inventory carried over from the previous year. The company produced 4.26 (4.16) million tonnes of sugar from 27.92 (26.95) million tonnes of beets. The total amount of sugar including refined sugar and beet syrup was 4.54 (4.52) million tonnes.

Germany | Südzucker AG's cultivation area of 158,700 (145,000) hectares was 9.5 % higher than last year. This increase in area was driven by the 13.5 % lower preventive market withdrawal, the additional quota of 105,000 tonnes of sugar from the Italian sugar producer "Zuccherificio del Molise SpA", as well as approval of an industrial beet share of 15 % and the cultivation of ethanol beets under the terms of the delivery right E.

The beet crop was affected by the unusually dry, hot weather in April and the mainly plentiful rainfall from mid-May until September.

In total, 1.29 (1.12) million tonnes of crystallized sugar were produced from 10.72 (9.20) million tonnes of beets - including subcontracted processing. The sugar equivalent amount that went into intermediate storage in the form of the beet syrup and runoff was 0.42 (0.33) million tonnes. About 0.28 million tonnes of the beets processed were designated as ethanol beets under the terms of the delivery right E and 1.7 million tonnes as industrial beets. Beet processing began on September 15, 2007 at the Zeitz and Brottewitz factories. The longest campaign ended in Brottewitz on January 5, 2008 and the average duration of the campaign at all factories was 88 (76) days.

The total amount of organic sugar produced was 2,705 tonnes, 2,059 tonnes of which was by Südzucker, and the rest of which was produced by subcontractors. Production capacity is limited by a bottleneck associated with the supply of organic beets.

During the 2007 campaign, Südzucker AG expanded the program of accepting beet deliveries day and night. The around-the-clock delivery process, which was already standard at the Zeitz, Wabern and Warburg factories, was for the first time fully implemented in 2007 at the Offstein and Offenau facilities. The Rain and Ochsenfurt plants were partly converted. With the exception of the Brottewitz location (16 hours per day, seven days a week, also due to pellet return), 24/7 delivery will be standard in all areas for the 2009 campaign.

Belgium | The Raffinerie Tirlemontoise's beet cultivation area of 56,000 (56,100) hectares was virtually unchanged from last year. The preventive market withdrawal is 13.5 % (-). The amount of crystallized sugar produced from 3.77 (3.75) million tonnes of beets was 0.46 (0.47) million tonnes. An additional sugar equivalent 0.14 (0.12) million tonnes were processed in the form of beet syrup and runoff, for a total increase of 2 % over the year prior. Part of RT's beet syrup is also sold directly to customers; in other words, not all liquid intermediate products are crystallized in Tienen. The duration of the campaign was unchanged at 94 days.

France | Due to the high sugar inventory backlog from the previous year and the reduced planting of industrial beets - in consideration of a preventive market withdrawal of 13.5 % (15.3 %) - Saint Louis Sucre's beet cultivation area had to be cut back to 69,400 (80,000) hectares in 2007. The company was able to produce 0.82 (0.92) million tonnes of sugar from 5.63 (6.35) million tonnes of beets. Of this amount, the sugar equivalent of 0.32 (0.34) million tonnes were stored as beet syrup and runoff. The beet syrup is processed at the ethanol facility in Eppeville and elsewhere and is also sold directly. The total amount produced including refined raw sugar was 0.95 (1.06) million tonnes. The beet campaign lasted 94 (104) days.

Austria | The total cultivation area at AGRANA in Austria increased by 8.6 % to 42,400 (39,000) hectares. The preventive market withdrawal was 13.5 % (14.8 %). The sugar produced by processing 2.52 (2.49) million tonnes of beets declined by just under 7 % because the sugar content of the beets was significantly lower than last year. Of the 0.38 (0.41) million tonnes of sugar produced, 7,000 (4,400) tonnes were stored as beet syrup. The campaign duration increased to 103 (99) days.

Poland | The cultivation area at Südzucker Polska fell by 8.4 % to 54,600 (59,600) hectares as a result of the preventive market withdrawal of 13.5 % (10.4 %) and excess sugar inventories from the prior year. Yield increased by about 20 % compared to last year and beet quantities rose to 3.18 (2.91) million tonnes. The amount of crystallized sugar produced in 92 (84) days was 0.43 million tonnes. For the first time, a further 0.03 million tonnes of sugar equivalent were stored as beet syrup in Cerekiew. The total amount of sugar was 0.46 (0.45) million tonnes.

Romania | Because of the market withdrawal of 13.5 %, the cultivation area at AGRANA in Romania declined by 32 % to 6,800 (10,000) hectares immediately after the country joined the European Union. As result of a reduced yield of about 20 % caused by weather conditions, 0.16 (0.30) tonnes of beets were harvested, from which 0.02 (0.04) million tonnes of sugar were produced. Including the amount refined from raw sugar, total sugar production came in at 0.17 (0.26) million tonnes.

Slovakia | The cultivation area at AGRANA in Slovakia rose by 10 % to 7,700 (7,000) hectares. The preventive market withdrawal was 4.32 % (11.7 %). The company was able to process 0.38 (0.34) million tonnes of beets, including supplementary purchases of 0.05 tonnes, from which 0.05 (0.05) million tonnes of sugar were produced. The campaign lasted 117 (111) days.

Czech Republic | The beet cultivation area in the Czech Republic rose 4.5 % to 13,300 (12,700) hectares. The preventive market withdrawal was 7.29 % (9.6 %). The company produced 0.10 (0.11) million tonnes of sugar from 0.69 (0.62) million tonnes of beets in 83 (77) days.

Hungary | The cultivation area at AGRANA in Hungary was reduced to 17,600 (19,300) hectares because of excess sugar inventories of 8.9 % from the previous year. The preventive market withdrawal was 6.2 % (9.4 %). The company produced 0.12 (0.15) million tonnes of sugar from 0.87 (0.99) million tonnes of beets in 70 (70) days.

Non-EU

Moldavia | In 2007, the cultivation area at Südzucker in Moldavia was 12,100 (16,100) hectares, 25 % less than last year. At the beginning of the campaign, about 2,400 hectares were unsuitable for harvesting because of an extremely dry summer. The company produced 0.04 (0.08) million tonnes of sugar from 0.31 (0.59) million tonnes of beets. The processing took on average 59 (73) days.

Sugar sales

Group

The consolidated total amount of sugar sold by all group companies, including the industrial sugar production not governed by sugar quotas, declined to 4,592,600 (4,859,900) tonnes in fiscal 2007/08, down 5.5 % compared to last year. This drop was due to the market-regulation-driven 58 % decline in exports, which could not be offset by the 3.4 % increase over the prior year in EU common market sales.

EU 27

Consolidated sales, including of industrial sugar, by all group companies located in the EU totaled 4,528,400 (4,798,300) tonnes, down 5.6 % from last year. The increased sales in the EU were overshadowed by declining exports, which were down by more than 50 %.

The quota returns associated with the sugar market regulation reform have changed the European sugar market forever. Some countries, such as Italy, Spain and Greece will have a shortage and will no longer be able to fulfill their demand for sugar from their own production. EU sugar producers and increasing imports from ACP countries and LDCs will satisfy this demand.

Südzucker Group has significantly increased its share in the markets where there is now a shortage and together with several powerful sales partners, is represented throughout Europe. Customers in the new markets are as demanding as customers in our current home markets. Südzucker addresses these demands by offering guaranteed supply reliability, first-class quality and excellent service.

The greatest challenge in the new market environment is logistics, because it has a major impact on customer satisfaction and costs. Steeply rising transportation costs driven by increasingly greater distances can only be capped by using more efficient solutions. Südzucker Group has successfully introduced new initiatives in this area. Combined freight transport based on truck, railroad and sea transportation has become an integral part of our logistics expertise and is being continuously enhanced. The strike by Deutsche Bahn in the fourth quarter of 2007, and the extended strikes at the Greek shipping ports at the beginning of 2008 are only two examples of events that demanded top performance from our logistics team.

Südzucker Group addresses the expanding purchasing power of the Europe-wide food retail industry with dedicated key account managers.

The EU sugar market is still suffering from the turmoil caused by the new sugar market regulation. For example, prices in central and eastern Europe have dropped back below the reference price level after recovering at the beginning of 2007. Furthermore, the quotas returned to date, for example by Eastern sugar, have not yet led to a market equilibrium in these economic zones. The battle for future market positions dominates events in Italy and Spain; neither is there any indication of reduced market tension in France, Belgium or Holland.

Sales of industrial sugar, which have been aggressively promoted as a result of the market regulation reform, are developing very satisfactorily. Shipments tripled in comparison to last year. In view of the present low world prices for sugar and high prices for starch sweetener products, the chemical industry is attempting to influence the existing market regulations. Südzucker's priority is to ensure that the new industrial sugar business is sustainable.

Germany | Südzucker AG's total consolidated sales came in at 1,472,200 (1,476,400) tonnes, almost the same as last year. Domestic sales, including of industrial sugar, increased 8.5 % year-over-year to 1,121,500 (1,033,600) tonnes despite the difficult market environment. As a result of the new market structure, EU sales rose 94 %, whereas exports declined by just under 64 % due to market regulation reforms.

Sales to conventional food retailers were higher. In contrast, sales to the sugar processing food industry declined, particularly in the area of nonalcoholic beverages, sugar products, ice cream and dairy products, whereas chocolate product sales were higher.

Sales of specialty sugar products such as invert sugar syrup, fudge and fructose remained steady at last year's level.

Raw material cost increases for competing starch sweetener products prevented further quantities of Südzucker inverter sugar syrup from being lost to these products.

There is still a large gap between supply and demand when it comes to organic products in the German market. Südzucker is attempting to offset the shortage of organic beet sugar with organic sugar cane to fulfill the demand by the industrial and commercial sector for such products.

Market research data indicates that in the EU, demand for sugar in the food retail/food service business is declining. But Südzucker was able to hold onto its market share and increase its share in the special sugar products segment. An impressive range of newly developed specialty sugar products, along with sugar cane and the fair trade logo underscore the quality of the Südzucker brand and round out the product portfolio in accordance with market trends. In contrast, sales of standard products are declining.

Belgium I Total sales by the Raffinerie Tirlemontoise came in at 652,100 (724,300) tonnes, 10 % less than last year, primarily due to sharply lower exports. Domestic sales were almost the same as the year prior. While sales to food retailers were 3.3 % lower than last year, shipments to the sugar processing industry, including industrial sugar, were a slight 0.4 % higher. EU sales more than doubled and exports declined by over half.

France I Total sales by Saint Louis Sucre were posted at 1,054,500 (1,049,900) tonnes, slightly higher than a year earlier. Domestic sales were 12.4 % higher as a result of contributions from shipments to the sugar processing industry, including industrial sugar, which were up 12.2 % and sales to food retailers and the food-service sector, which rose 12.6 %. EU shipments rose 37.9 %, while exports shrank dramatically, as they did at other group companies.

Austria I AGRANA Zucker sold a total of 416,700 (459,100) tonnes, 9.2 % less than last year. Domestic shipments declined by 5.4 %. Deliveries to the sugar processing industry, including industrial sugar, were 7.6 % lower than last year, whereas sales to the retail food industry grew by 2.1 %. While EU shipments doubled, exports to non-EU countries were only about 12 % of what they were last year.

Poland I Total sales at Südzucker Polska slid 2.6 % to 432,700 (444,300) tonnes. Domestic sales were up 7.9 %, driven by shipments to the sugar processing industry, including industrial sugar, which climbed 14.8 %, whereas sales to the retail food industry were down 2.6 %. EU sales growth was very positive, while shipments to non-EU countries dropped dramatically.

Romania I AGRANA Romania's sales came in at 199,600 (291,900) tonnes, a drop of just under 32 %. This decline is attributable to a lack of exports, which were missing for the first time this year, as well as the domestic sales slump of 25.9 %, which impacted both the retail trade and the sugar processing industry.

Slovakia I AGRANA Slovakia's sales were down 32 % at 37,200 (54,700) tonnes. The decline was due to a significant shortfall in the home market, both in the retail and industrial sugar processing sectors. There were few EU shipments, and there were no exports at all.

The Czech Republic I AGRANA Czech Republic sold 105,500 (114,000) tonnes, 7.5 % less than last year, although domestic sales were up nearly 32 % as a result of substantially higher shipments to the sugar processing industry and food retailers. EU sales also rose significantly, while exports declined to zero.

Hungary I AGRANA Hungary shipped 157,900 (183,700) tonnes, 14 % less than last year. Domestic sales were up 15.3 % and EU shipments nearly tripled, but exports shrank to under one-third.

Non-EU

Moldavia I Südzucker Moldavia sold a total of 64,200 (61,600) tonnes, an increase of 4.2 %. Domestic shipments slid 1.9 %, but exports were up sharply.

Agriculture

In 2007, the traditional agriculture division focused on soil processing, mechanical weed control for organic beets and optimizing grain planting.

The conversion projects for the existing organic turkey production systems were completed and the plants started operation on September 1, 2007. Organic animal feed production was up a good 42 %, to 6,800 tonnes. The organic cultivation area in Zschortau was expanded to 1,000 hectares for the planting in fall 2007.

The division was able to maintain an average grain and sugar beet harvest yield, despite the very dry April and very unsettled weather in 2007.

Market conditions for grain were considerably better than last year, with excellent quality and higher prices.

Animal feed

Molasses pulp and molasses pulp pellets | The market for molasses pulp pellets benefited from the global grain boom. Prices were driven above all by speculation because of a gap between supply and demand and low world-wide inventories.

Since grains and beet pellets are energy sources in mixed fodder and the competing product, citrus pellets, is also trading at high valuations, Südzucker AG was able to sell the large quantity of pellets from the 2007 beet harvest at higher prices than the year prior. With the exception of Austria, inventories were almost completely sold by the end of the financial year in the group's other beet-pellet-producing companies as well. Only residual quantities remained. Here too, revenues were higher than last year.

Beet molasses | Except for a brief weakness in summer of 2007, the market was quite robust during the financial year, despite the ready availability of cane molasses. Production was lower even though the beet harvest was considerably better, due to the extremely low molasses yield during the 2007 campaign.

As in Germany, shipments in Austria, Poland, the Czech Republic, Slovakia and Moldavia were according to budget forecasts and inventories were completely sold by the end of the 2007/08 financial year. Except for France, revenues were considerably higher than last year.

Bodengesundheitsdienst GmbH (BGD)

BGD is responsible for soil testing, providing fertilization advice for all major plant nutrients and humus testing, as well as analyzing organic fertilizers and conducting comparisons in accordance with the fertilization ordinance and testing potatoes in accordance with the official potato ordinance.

EUF soil testing has been a reliable tool for the agricultural industry and environmentalists for over twenty-five years. It is especially useful now for dealing with current issues and to develop solutions. For example, over the past fifteen years, the level of phosphates and potash in the soil has declined on average by 1 % per annum. For crop rotations dominated by tubers, the target nutrient levels are in the upper range of care level C, which is often the average level achieved with phosphate. However, with declining nutrient supplies, the potential beet yield at the specific location is jeopardized. Soil fertility and yield decline. But a long-term collapse can be prevented, since regular EUF soil tests associated with crop rotations can provide sufficient information about the actual nutrients in the soil.

Sugar moves us!

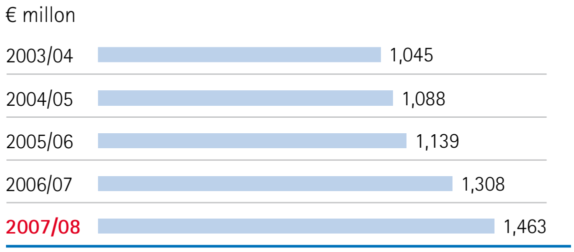
Sugar – and starch – can be used as a raw material to produce bioethanol. It thereby contributes to environmentally sound energy production from renewable raw materials, saving fossil fuels and enabling us to stay on the move.

Special products segment Business performance

Special products segment business performance

		2007/08	2006/07
Revenues	€ million	**1,462.9**	**1,307.5**
EBITDA	€ million	**195.3**	**180.8**
Depreciation on fixed assets and intangible assets	€ million	–66.1	–66.3
Operating profit	€ million	**129.1**	**114.5**
Restructuring/ special items	€ million	–18.9	140.8
Goodwill impairment loss	€ million	0.0	–98.0
Income from operations	€ million	**110.2**	**157.3**
EBITDA margin	%	13.3	13.8
Operating margin	%	8.8	8.8
ROCE	%	9.0	8.4
Capital expenditures on fixed assets	€ million	312.3	190.4
Capital expenditures on financial assets	€ million	–	27.8
Total capital expenditures	€ million	**312.3**	**218.2**
Employees		3,903	3,966

Special products segment revenues



The special products segment includes activities of the BENEO Group (Orafti/Palatinit/Remy), bioethanol, Freiberger, PortionPack Europe and starch divisions.

Revenues | The special products segment's revenues increased by 12 %, or € 153 million, to 1,463 (1,308) million, despite the missing inulin fructose revenues. The dynamic development of the bioethanol business and the starch division's growth were mainly responsible for the segment's higher revenues. Satisfactory price and volume developments drove CropEnergies Group's revenues up by about 27 %. The first revenues from the bioethanol plant in Austria also contributed to the bioethanol division's revenue growth. These were generated during the test run. The starch division's revenues were higher, and the dramatic raw material price increases were at least partially passed on to the markets. The substantially higher revenues from the BENEO division's core products were not enough to offset the decline in revenues from inulin fructose made from chicory. Südzucker decided to shut down this activity at the end of 2006 for reasons associated with the sugar market reforms. Freiberger shipped more product and was able to at least partially pass the significant commodity price increases on to the markets, with the result that revenues increased.

Operating profit | The special products segment was able to improve operating profit by about 13 %. It climbed to € 129 (115) million. This growth is primarily attributable to the starch, BENEO and Bioethanol divisions, but the Freiberger and PortionPack Europe divisions also performed well in a difficult environment.

The starch division posted higher sales and volumes while raw material prices increased. CropEnergies profited from higher bioethanol prices, while capacity utilization remained high and steady. But costs were up due to significantly higher raw material prices (mainly grain) than last year. However, the company was able to limit the impact by effective risk management and implementing countermeasures at an early stage. Mitigation steps included long-term purchasing contracts as well as varying the input raw material mix for bioethanol production. Presently a significant share of the ethanol is produced using beet syrup. Furthermore, a natural hedge against rising grain prices exists because of the positive development of the ProtiGrain® by-product. The costs of the test run of the bioethanol factory in Pischelsdorf are shown under special items. The BENEO division can look back on another year of high volume growth. In Chile, efficiency was significantly improved in the second year of production.

The negative € -19 (141) million result of restructuring and special items includes the start-up costs of the bioethanol plants in Belgium and Austria and the profit from the sale of the Ryssen Group end consumer bottling business. Income from operations reached € 110 (157) million.

Performance of the companies

BENEO Group (Orafti/Palatinit/Remy)

The Orafti/Palatinit/Remy divisions, formerly part of the functional food division, are now managed as a separate company, BENEO Group.

The aim is to boost the innovation strength of the business by pooling the expertise in the process and application engineering, nutritional science, nutrition marketing and communications areas, as well as gaining market share by taking advantage of the highly qualified sales partners located in more than seventy countries around the world. It enables the newly formed BENEO Group to offer food and animal feed manufacturers the world over a unique combination of expertise and complementary products, which is the key to a successful partnership in these rapidly developing global markets.

The newly formed group's strategy is captured in its slogan, "Connecting nutrition and health". The group has 900 employees, production facilities in Belgium, Germany, Chile and Italy and generated revenues of about € 350 million.

World market trends

Functional food ingredients continue to exhibit strong growth around the world. Demand is expected to increase over the next few years, particularly in Europe, the United States and Latin America. However, this positive outlook has not escaped other manufacturers either, with the result that the competitive environment has become more heated. BENEO Group's wide assortment of ingredients includes Isomalt, Inulin and rice derivatives, which fulfill market requirements for natural foods, clean labeling, high quality standards and roughage with prebiotic properties.

BENEO-Palatinit

Highlights of the 2007/08 financial year included the successful positioning of the innovative Palatinose™ and galenIQ™ products, as well as asserting the market leadership position of Isomalt in a very competitive international environment.

Isomalt | Isomalt stood its ground despite strong competition. In a number of countries, the chewing gum market is already almost 100 % sugar free. Again this year, this market segment grew steadily in other countries. A uniform trend is not yet discernible in the sugar free candy market.

BENEO-Palatinit continuously works on new product concepts in order to strengthen its position as an innovative partner. It has not yet been possible to pass on the rising costs of operating supplies to customers as a result of the market and currency exchange situation.

Palatinose™ | BENEO-Palatinit was able to further increase sales of Palatinose™. New products containing Palatinose™ were again introduced to the market during the financial year and other innovative product concepts were launched around the world. Palatinose™ is primarily positioned to serve the beverage segment, with a focus on fitness and wellness. Palatinose™ addresses the strong increase in health consciousness with its low glycemic impact and long-lasting energy boosting properties. Because of its dental friendly properties, other innovative products that interest consumers and are not damaging to teeth can also be developed. The recognition of Palatinose™ in the United States as "non-cariogenic", along with approvals in other countries such as Australia and New Zealand, strengthen its market position.

In Europe, the new EU Health Claims regulation affects both Isomalt und Palatinose™. Debates about product claims are ongoing. BENEO Group is intensifying discussions with the relevant committees and continues to invest in scientific studies, particularly to support the positioning of Palatinose™.

galenIQ™ | The pharmaceutical transmitter medium galenIQ™ is produced in accordance with international production standards (GMP-IPEC). Customized variants were also introduced to the market. Long development times delay product introductions in the pharmaceutical market, but the length of time the products can be marketed is then normally also quite long.

Results of new studies concerning galenIQ™ indicate that the product has outstanding properties when packaged as tablets that quickly dissolve when taken orally. This will strengthen its positioning as a cost-effective high-performance transmitter and create another application area.

BENEO-Orafti

BENEO-Orafti successfully develops and produces food ingredients with nutrition-specific and functional properties from chicory.

BENEO-Orafti profits from the nutritional and technological advantages of its products in the rapidly growing market for balanced food products, where prebiotic ingredients are meeting a market need. Orafti food ingredients thus enable the food industry to respond to the growing demand for wellness products by offering products that are balanced and promote good health, taste good, have a low calorie content and wellness advantages. This approach made BENEO-Orafti very successful in 2007/08, and enabled it to achieve double-digit growth. The regions with the highest sales growth were the United States, Latin America and Europe. The company succeeded in supplying most customers in Latin America and the United States with product from BENEO's factory in Chile.

The success is based on BENEO-Orafti's concept of servicing its food industry partners with a wide ranging marketing strategy. The Orafti logo printed on end user packages gives consumers information about the health benefits of Orafti products. This label already appears on 310 products throughout the world.

BENEO-Orafti welcomes the EU Health Claims regulations because they establish a basis for fair competition and help better position BENEO-Orafti's nutritional science-based claims against those of its competitors.

BENEO-Remy

BENEO-Remy was able to achieve double-digit growth and improve its market position with its rice-based products. A major capital spending initiative will see the factories in Belgium and Italy expanded. They are presently operating at full capacity. A market breakthrough has been achieved with the production of rice pasta and rice chips, which are made from special rice derivatives. The company has also developed starches based on rice, which can be used in the production of cheese substitutes. On a regional basis, BENEO-Remy's strongest growth came from the Benelux countries, Germany, Poland and the United States.

The price increases and shortages of agricultural commodities in the second half of 2007/08 also had an impact on BENEO-Remy. The overall impact of numerous factors, such as increasing costs, meager harvests and export bans, have caused the world market price for rice to rise substantially. For example in Asia, where new rice planting has not kept pace with increasing demand in the region, a large number of rice exporting countries have introduced export duties or bans in order to secure their home market supplies. As a result, prices of rice from Asia have increased by more than 50 % and in Europe by more than 20 %. BENEO-Remy is forced to pass these price increases on to the market.

Bioethanol

Südzucker Group participates in the bioethanol market through CropEnergies AG in Germany, Belgium and France as well as the AGRANA group in Austria and Hungary.

World market for bioethanol | In 2007, worldwide production of bioethanol increased 20.6 % to 62.0 (51.4) million m^3, of which 80 % is produced for the fuel sector. In the United States, production rose by 31 % to 26.1 (19.9) million m^3, while Brazil's only increased by 15.7 % to 20.6 (17.8) million m^3. The increase of 13.5 % percent to 3.9 (3.4) million m^3 in the European Union is primarily attributable to higher production volumes in France.

During the 2007/08 financial year, prices in Brazil were quoted at about $ US 430 per m^3 in spring and about $ US 360 per m^3 in summer. Between September 2007 and the end of February 2008, they climbed to $ US 520 per m^3. The high level of capital spending in the United States resulted in over capacities, which was reflected in quotations for ethanol futures. Starting from a price of $ US 2.28 per gallon on March 1, 2007, the price had dropped to $ US 1.50 per gallon by October, then climbed back to $ US 2.36 per gallon by February 29, 2008. This was caused in part by the enactment of a new energy law in December 2007, which predicts that biofuel consumption will increase from about 28 million m^3 in 2012 to 136 million m^3 in 2022. Prices in Europe followed the trend in Brazil and the United States and by mid-year had dropped, reaching a low for the year of about € 525/m^3 FOB Rotterdam in July 2007. Despite the continuing weakness of the dollar, they stabilized again at a level of from € 555/m³ to € 565/m³ and at the end of fiscal 2007/08 were being quoted at about € 560/m³.

World commodity market for grain | According to estimates by the US Department of Agriculture dated March 11, 2008, worldwide grain production for 2007/08 (excluding rice) reached 1.661 (1.575) billion tonnes, representing a year-over-year increase of about 5.5 %. However, as a result of the steady high demand, particularly from the developing countries China and India, world grain production remains below the expected consumption level of 1.683 billion tonnes. Grain inventories are further declining accordingly.

World market prices for grain rose sharply on the commodity futures markets. Wheat was quoted at a high of over € 300/tonne on the MATIF exchange in Paris on September 5, 2007, after starting the 2007/08 financial year at € 150/tonne. At the end of February it was trading at about € 285/tonne. Grain prices have become significantly more volatile, since investment, hedge and index funds are increasingly taking speculative positions.

In view of the high prices, it is expected that world grain production will increase to 1.692 (1.601) billion tonnes for the upcoming 2008/09 harvest. According to currently available information, the EU's total wheat cultivation area increased between 4 % and 5 % to 58 (55.3) million hectares. A contributing factor here was the release of fallow land in the amount of 10 % that had previously been mandatory for the planting in fall 2007 and spring 2008. The EU's grain harvest in 2008/09 could therefore climb about 10 % to 294 (256) million tonnes.

Political environment | In early 2008, the European commission published a proposal for a comprehensive "Renewable energy directive", which will enable the climate protection and renewable energies support obligations decided on by the European Parliament to be implemented. The binding goal is to increase the share of renewable energies to 20 %[1] by 2020. The package also continues to encourage the manufacture and use of biofuels. The objective is to have this alternative's share of the total fuel market reach 10 % by 2020.

Mandatory blending ratios of biofuels in diesel and Otto engine fuels have existed in Germany since the enactment of the Biological Fuel Quota Law[1] (Biokraftstoffquotengesetz) in 2007. For biofuels that replace gasoline, the mandatory blending quota based on energy content was 1.2 % for 2007. This is slated to increase by 0.8 % annually to reach 3.6 % by 2010.

Furthermore, the law requires the total biofuel ratio be 6.25 % and 6.75 % for 2009 and 2010 respectively, increasing 0.25 % per year thereafter to reach 8 % by 2015. The bioethanol used to achieve quotas is subject to fuel tax. Bioethanol used to produce E85 is tax exempt until 2015. The total potential market for bioethanol will triple from 2007 to 2010.

The intent of increasing the percentage of biofuels in consumed fuel is to enable energy and climate policy targets to be achieved and have a greater impact on reducing greenhouse gas emissions as of 2015. The revised Biological Fuel Quota Law stipulates that the binding prescribed share of biofuels in consumed fuel will increase to 17 % in 2020.

A sustainability ordinance aims to establish minimum requirements for sustainable cultivation of agricultural areas used to produce biomass for biofuels. In addition, the entire production, processing and supply chain must demonstrate that it keeps greenhouse gas emissions below a specific level.

In early April 2008, the Federal Ministry for the Environment scrapped plans to increase the compulsory bioethanol ratio to 10 vol.-% at the present time, mainly for technical reasons.

In Austria, a mandatory blending ratio of 2.5 % effective October 1, 2005, 4.3 % as of October 1, 2007 and 5.75 % after October 1, 2008 is stipulated to comply with the EU biofuel directive. In addition, bioethanol-to-gasoline blends with at least 4.4 vol.-% ethanol received favorable tax treatment effective October 1, 2007, as did fuels with a high bioethanol component (SuperEthanol E-85). The goal is to increase the level of biofuels being substituted for fossil fuels to 10 % already in 2010.

In Hungary, a requirement to have 4.4 % by volume of ethanol in fuel came into force on January 1, 2008. A surtax of 5 % is charged when this level is not achieved.

[1] Unless stated otherwise indicated, the percentages associated with energy refer to energy percentages.

CropEnergies AG

CropEnergies AG directly or indirectly owns 100 % of Südzucker Bioethanol GmbH, Zeitz/Germany, BioWanze S.A., Brussels/Belgium, and Bioenergy Loon-Plage S.A.S, Paris/France.

Südzucker Bioethanol GmbH largely completed the first expansion of its production capacity from 260,000 m^3 to 300,000 m^3 in 2007/08. In addition to this expanded plant, a second production unit for processing sugar syrup will be started up in June 2008. BioWanze S.A. is building a plant to produce bioethanol, gluten, protein-based animal feed and electricity in Wanze/Belgium. Bioenergy Loon-Plage S.A.S operates a tank storage facility at its Loon-Plage location near Dunkirk/France.

Production | In 2007/08, 247,000 (229,000) m^3 of bioethanol were produced at the Zeitz facility, an increase of 7.7 %. As a result of a change in the raw material mix, the production level of the protein-based animal feed ProtiGrain® declined 13 % to 190,000 (218,000) tonnes. Overall, the company succeeded in increasing the ethanol yield while at the same time reducing energy consumption. As of June 2008, a biogas plant will deliver energy that will produce steam for ethanol production.

The range of raw materials used at the Zeitz facility was expanded. The percentage of corn used increased most dramatically. In addition to wheat, barley and triticale – a cross between wheat and rye – were also used. Sugar syrup from the adjacent Südzucker AG sugar factory is also continually processed. It now accounts for up to 40 % of the bioethanol produced. As a result, the amount of grain required declined from last year's level despite the expanded production. CropEnergies Group's optimization programs in connection with demand projections that resulted in early signing of futures contracts for the majority of the grain the company needed led to lower than average cost increases for raw materials given the substantial rise in grain prices during the period.

Bioethanol sales | CropEnergies was able to increase shipments by 17.2 % to 279,000 (238,000) m^3, of which about 43,000 (4,400) m^3 were trading goods.

In addition to ETBE producers, CropEnergies Group's customers include large oil corporations and medium-size oil companies. The latter are becoming increasingly important.

Logistics was further improved. Bioethanol is now almost exclusively shipped to customers using block trains. The petroleum storage facility in Rotterdam, which is in an ideal strategic location, was integrated more closely and the loading and unloading process in Zeitz was optimized.

Production of the octane improver ETBE continues to be the most important application of bioethanol in the European fuel sector, although it is increasingly used for direct blending, especially in Germany, and shipments of E85 are also on the rise.

ProtiGrain® sales | Total sales of the byproduct ProtiGrain® declined by 13.9 % to 189,000 (220,000) tonnes as a result of reduced grain processing. The premium protein-based animal feed product ProtiGrain® has firmly established itself in the European fodder market and provides an important offset to raw material costs.

BioWanze | CropEnergies built an innovative bioethanol plant with a production capacity of up to 300,000 m^3 of bioethanol per year in Wanze/Belgium. Because biomass will be used as a primary energy source, its greenhouse gas emissions will be well below average. Startup is planned for the fourth quarter of 2008.

The Belgian government has issued production licenses for a total of 1.5 million m^3 of bioethanol for a period of six years. These include a tax break and BioWanze received licenses to produce 750,000 m^3; i.e., 125,000 m^3 of bioethanol per annum.

AGRANA Bioethanol

AGRANA spent € 125 million to construct a large-scale industrial bioethanol production facility in Pischelsdorf/lower Austria. It is the first of its kind in Austria and has a capacity of up to 240,000 m^3 per year. Up to 170,000 tonnes of premium protein-based animal feed will also be produced. The production process has been designed to allow starch-based raw materials to be freely selected. The plant was shut down in fall 2007 after a six-week test run.

Currently quoted prices for grain from the new 2008 harvests indicate that a level will be reached that will allow Pischelsdorf to be operated economically. The Austrian bioethanol plant will therefore be restarted at the end of May 2008.

HUNGRANA's ethanol capacity was increased from originally 150 m^3 per day in March 2007 to 520 m^3 per day in February 2008. Maximum production capacity is now therefore 187,000 m^3 per year.

Freiberger

Freiberger Group produces and sells chilled and frozen pizzas as well as frozen pastas and baguettes. Its solutions are specifically geared toward the strategies of its business partners consisting of the retail industry, caterers and food service operators. As a result, the group has succeeded in becoming a market leader in Europe's pizza market over the past number of years.

Freiberger Group's success is based on top efficiency and its corporate guidelines, which focus on innovation, superior performance and reliability. The wide range of customer-specific recipes, which in addition to classic recipes also cover special products for seasonal, regional and ethnic markets, together with customer-oriented services, differentiate the company from its competitors.

Despite the continued intense competition in the retail market and significantly higher raw material prices, Freiberger was once again able to deliver satisfactory business results thanks to its rigorous customer focus. The modern production facilities at the Berlin headquarters, in Muggensturm Baden, in Austria and in Great Britain, as well as its distributors in France and Poland and daily production of almost two million packages form a solid basis for further growth in Europe.

PortionPack Europe

The PortionPack Europe group makes portion packs for the food and non-food sectors at six locations in central Europe. In addition to conventional sugar packets, the product range includes a wide spectrum of other portion packs of food such as baked goods, chocolate and sandwich spreads. In addition to the out-of-home market (restaurants, hotels, caterers) and food retailers, the group also services industry (contract packing) and the advertising/promotion sectors.

Despite difficult competitive conditions and continued price pressure, the group was able to strengthen its European market leadership position last year.

Starch

AGRANA Stärke GmbH handles Südzucker Group's cornstarch and potato starch business. It operates a potato starch factory in Gmünd and a cornstarch facility in Aschach, as well as managing the operations of the subsidiaries in Hungary and Romania.

Austria | In June 2007 the existing potato starch quota regulation was extended by two years (2007/08 and 2008/09) and the European commission indicated that it may be extended for a further two years.

As a result of weather-related harvest shortfalls, AGRANA was only able to achieve 80 % of the EU quota in Austria.

A total of 195,371 (187,373) tonnes of starch and organic starch-based industrial potatoes were processed to make 39,883 (41,123) tonnes of potato starch in the 2007 campaign. An additional 13,016 (12,252) tonnes of table potatoes and organic industrial table potatoes were acquired for the production of stored potato products.

The cornstarch factory in Aschach processed 364,000 (352,000) tonnes of corn, of which 103,000 (84,000) tonnes were just harvested.

The 5 % increase in shipments to 462,900 (441.000) tonnes is mainly attributable to the increased shipments of sweetener products. Shipments of industrial starches (non-food) remained steady at about 98,400 (100,000) tonnes, whereas they declined to 102,600 (117,800) tonnes in the food starch sector. Organic product shipments climbed a significant 16 %.

Hungary | The Hungarian quota of isoglucose is held by HUNGRANA, which is 50 % owned by AGRANA.

In 2007/08, 540,000 (451,000) tonnes of corn were made into isoglucose, starch sweeteners and bioethanol at HUNGRANA's Hungarian starch factory.

Processing capacity was doubled from 1,400 tonnes per day in March 2007 to 2,800 tonnes per day in February 2008 and another 3,000 tonne-per-day expansion is underway.

As a result of the start-up of the expanded bioethanol plant and the expansion of the sweetener facility, shipments rose to 280,000 (228,000) tonnes (corresponds to AGRANA's 50 % share).

Romania | Corn processing at the Romanian cornstarch factory S.C. A.G.F.D. Tandarei was reported at about 23,400 tonnes in 2007/08, an increase over last year. Capital spending on systems for incinerating byproducts will reduce the need for fossil-fuel-based energy.

Fruit segment
Business performance

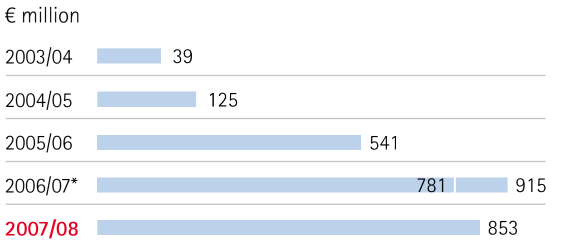
Fruit segment business performance

		2007/08	2006/07
Revenues	€ million	**852.5**	**914.6**
EBITDA	€ million	**80.6**	**88.5**
Depreciation on fixed assets and intangible assets	€ million	–37.1	–42.9
Operating profit	€ million	**43.5**	**45.6**
Restructuring/ special items	€ million	–4.6	–
Goodwill impairment loss	€ million	–	–
Income from operations	€ million	**38.9**	**45.6**
EBITDA margin	%	9.5	9.7
Operative margin	%	5.1	5.0
ROCE	%	5.6	5.9
Capital expenditures on fixed assets	€ million	42.9	47.8
Capital expenditures on financial assets	€ million	–	29.3
Total capital expenditures	€ million	**42.9**	**77.1**
Employees		4,696	4,724

AGRANA indirectly holds all investments in the fruit segment via AGRANA Juice & Fruit Holding GmbH. Coordination and operational management are carried out through the two divisional holding companies AGRANA Fruit S.A. (fruit preparations) and AGRANA Juice GmbH (fruit juice concentrates).

Revenues | The fruit segment generated revenues of € 853 (915) million. On an adjusted basis, revenues were up € 72 million or 9 % from last year's € 781 million, driven by higher volume. Last year's results covered 14 months because of the re-alignment of the year-end with that of Südzucker.

Fruit segment revenues



* 14 months, 12 months: € 781 million.

Operating profit | The fruit segment's operating profit declined to € 44 (46) million. Adjusted for the profit contribution from the additional two months because of the realignment of year-ends last year, operating profits were just shy of 8 % higher than last year. Renewed strong organic volume growth and higher prices were just enough to offset the dramatic raw material price increases. Delivered prices for some raw materials were up by multiples of 100 % because of failed harvests. Price increases to cover the higher costs could only be partially realized in the marketplace. In order to reduce the increasingly volatile commodity price impact, new price validity periods are currently being negotiated with customers. These are oriented toward the associated harvest periods.

Income from operations was € 39 (46) million, less than the year prior. Restructuring and special items charges of € 5 (0) million had to be applied due to the closure of the fruit preparation factory of AGRANA Fruit Bohemia s.r.o. in Kaplice/Czech Republic.

AGRANA Fruit (fruit preparations) | AGRANA Fruit, a manufacturer of fruit preparations for the dairy, bakeries and ice cream industries was able to improve its leading global position thanks to increasing organic growth.

Manufacturing facilities in China, Poland, Russia and South America and elsewhere have enabled the company to establish a basis for participating in rapidly developing growth markets. For example, the South American market is an important boom region because of its population growth, rising living standards and heightened nutritional awareness. A fruit preparation factory has existed in Argentina since 1994 and since 2007 in Brazil.

Because it purchased commodities worldwide, AGRANA was able to cover its needs for fruit preparations in spite of scarcities. However, higher prices had to be paid, and these could only be passed on to customers step-by-step.

AGRANA Juice (fruit juice concentrates) | AGRANA Juice is Europe's leading producer of concentrates made from apple juice and berries. It focuses on the potential of fruit juice and fruit drink growth markets, primarily in Western and Eastern Europe, Asia and North America.

AGRANA develops new products such as smoothies (purée-like fruit drinks with a high concentration of fruits) and not-from-concentrate juices in collaboration with its customers. Other consumer market trends include a demand for high-end fruit juices and "super fruits" (e.g., fruits rich in antioxidants).

AGRANA processes both apples and red berries for the European concentrates market in Austria, Poland, Hungary, Romania and the Ukraine. AGRANA and a Chinese joint venture partner have been producing sweet apple juice concentrate in China for export to the rest of the world since 2006.

In comparison to the past few years, Europe's 2007/08 apple and berry harvest was relatively meager, which led to raw material price increases, some of which were quite steep. As a result, customers delayed their releases, particularly in the apple-juice concentrates area.

Events after the balance sheet date

After analyzing the quotas returned by European sugar producers under the terms of the first wave, which ended on January 31, 2008, the EU commission advised market players on February 26, 2008 of the respective amounts of the final uncompensated quota reductions that would be imposed in the event no further quotas are returned voluntarily. Südzucker Group's share would have been 0.25 million tonnes. Südzucker subsequently decided to voluntarily return an additional amount of approximately 0.26 million tonnes during the second wave, which ended on March 31, 2008. Together with the 0.61 million tonnes from the first wave (which were tendered as of January 31, 2008), Südzucker has returned a total of 0.87 million tonnes of quota to the EU restructuring fund for the next sugar marketing year, 2008/09. As in previous years, Südzucker Group has thus made a major contribution toward the EU commission's quota reduction targets and thereby also toward more quickly achieving the goal of reaching an equilibrium in the European market.

Südzucker has decided to close three more factories in Poland: Racibórz, Wroclaw and Wróblin. Südzucker is thereby taking into consideration the changing market environment and is systematically optimizing its production structure.

As part of the program to optimize locations, AGRANA has decided to transfer Instantina Hungaria Kft.'s production to the existing factory in Dürnkrut, Austria. Instantina Hungaria Kft. is presently situated on the site of the Petöhaza sugar factory in Hungary. A severance agreement was negotiated for the fifty employees.

AGRANA signed an agreement with Yantai North Andre Juice Company Ltd., under the terms of which it will acquire 50 % of another Chinese apple juice concentrate facility in Yongji. Together with its joint venture partner, AGRANA will produce up to 20,000 tonnes of sweet apple juice concentrate in the province of Shanxi. The transaction was finalized, subject to approval by the responsible competition authorities.

Opportunities and risks

Risk management at Südzucker Group

Südzucker uses an integrated system for the early identification and monitoring of group-specific risks. Successful risk management is based on achieving an appropriate balance between opportunities and risks. The company's risk culture is characterized by risk-aware management, clearly assigned responsibilities, independence in risk controlling and by the implementation of internal controls.

Südzucker believes a responsible attitude to risks and opportunities is a major part of a sustainable, value-oriented management system. The risk management system is thus an integral part of the entire budgeting, monitoring and reporting process and is determined by the executive board. The parent and all subsidiaries use risk management systems tailored to each specific operating business, which aim to systematically identify, evaluate, control and document risks.

Südzucker Group's risk management system is based on controlling risk at the operating level, on strategically controlling investments and on an internal monitoring system used by the group's internal audit department.

In addition, trends that could eventually threaten the existence of Südzucker Group are identified at an early stage, analyzed and constantly reassessed as part of the risk management process.

Strategic controlling of investments and risk controlling at the operating level

The main thrust of strategic controlling of investments is strategic planning for the segments and business divisions. Significant developments influencing the business are recorded and assessed. Opportunities and risks are considered based on market and competitive analyses, and these form the basis for management decisions.

Investment controlling also monitors the achievement of business objectives and enables group companies to be controlled using uniform key ratios. It evaluates the investment portfolio with the aim of optimizing the investment structure and helps with acquisitions and disposals.

The operations controlling department continually controls operating risk. The executive board is always kept up to date via a comprehensive reporting system and, if necessary, via ad hoc reports.

Internal monitoring/internal audit

The group's internal audit department carries out its control functions at the parent company and group companies and reports directly to the executive board. It checks and evaluates the security, efficiency and correctness of business processes, together with the effectiveness of the internal control system.

Legal and political environment

Market regulatory risks for sugar | The possible effects of international and national trade agreements and market regulations are already analyzed in advance at an early stage and evaluated using the risk management process. The reform of the EU sugar market regulation (SMR), effective from July 1, 2006 and valid through September 30, 2015, is of particular importance to Südzucker. Key elements of the market regulation include the dramatic drop in EU sugar reference prices, beet prices, the reduction in EU sugar production and the surrender of world market exports. These were all necessary to address the import obligations agreed by the EU. The sugar reference price will be cut by 36 %, from € 632 per tonne to € 404 per tonne, with the minimum price for beet reduced from € 47.67 per tonne to € 26.29 per tonne. The loss of income for beet farmers will be partly offset by subsidies. Sugar production in Europe is to be reduced by about 6 million tonnes, from about 18 million tonnes of quota sugar to about 12 million tonnes.

As a result of the lost WTO panel case, new market regulations came into force that severely cut world market exports of approximately 3 million tonnes of EU quota sugar and 2 to 3 million tonnes of C sugar exports to a mere maximum of 1.4 million tonnes of sugar. In future, the EU commission plans to stop granting export recoveries, which will bring an end to quota sugar exports. The export of surplus sugar not covered by the quota is to be permitted. Customs duties on imports from the Least Developed Countries (LDCs) were reduced an additional 30 % to 50 % effective July 1, 2007. However, sugar imports from the LDCs did not increase significantly in 2007/08. Customs duties are to be completely abolished in four steps by July 1, 2009. The EU commission offered the ACP countries free access to the EU sugar market as of 2009 as part of the Economic Partnership Agreement. Nevertheless, unlimited access by the LDCs and AKP countries is to be restricted with the help of safeguards written into the agreement.

Acting on the recommendation of the EU commission, the EU agricultural ministry therefore decided on September 26, 2007 to make the restructuring assistance for unprofitable companies more attractive. Subsequently the sugar companies – for the first time also in the very competitive regions of the EU – voluntarily surrendered a further 2.6 million tonnes of quota during the so-called first wave, which ended on January 31, 2008. Südzucker contributed about 615,000 tonnes to this return of quotas.

On February 26, 2008, the EU commission advised companies of their respective final uncompensated quota reduction totals in the event no further quotas are surrendered voluntarily.

A further 0.8 million tonnes of quota were subsequently returned during the second wave, which ended on March 31, 2008. Of this amount, Südzucker contributed 257,000 tonnes. The quota returned to date now totals 5.6 million tonnes, leaving 0.4 million tonnes to reach the commission's target of 6 million tonnes. These can be returned up until January 31, 2009 for the 2009/10 sugar marketing year, although under much worse terms and conditions. If no quotas are voluntarily surrendered, or if the amount surrendered is insufficient, the EU commission will enforce a final, uncompensated quota reduction in the amount of the missing volume.

The EU commission has not yet decided on an interim reduction in quota sugar production (market withdrawal) for the 2008/09 sugar marketing year. If the required market equilibrium has not materialized by October 2008, the EU commission will assess the need for further quantity reductions for the 2008/09 sugar marketing year in October 2008.

Production of "industrial sugar" as a raw material for bioethanol production as well as an input material for the chemical, pharmaceutical instrumentation industries offers new market opportunities. This growing market, which is not regulated by sugar reference prices and minimum beet prices, will be reserved for especially competitive producers. Industrial sugar sales are not governed by quotas. Südzucker was able to increase industrial sugar sales to 0.5 million tonnes during the financial year just ended.

No progress has yet been made on completing WTO-II negotiations, which have been underway since 2001. The conference in Hong Kong in December 2005 ended with only a ministerial declaration. The resulting measures, such as a parallel reduction of all export subsidies through 2013, will only come into force after members have agreed on all aspects of the WTO-II negotiations. The offer presented by the EU on October 28, 2005 for external protection is in line with the price reductions agreed in connection with the EU sugar market reform. The EU continues to negotiate with its WTO trading partners, but an agreement is not yet in sight.

Guideline for renewable energies | On January 23, 2008, the European commission released a proposal for a comprehensive "Renewable energy directive", which will enable the climate protection and renewable energies support obligations decided on by the European Parliament to be implemented. This draft proposes that binding legislation be enacted to increase the share of renewable energies within the EU to 20 %[1] by 2020.

As part of this initiative, the commission would also like to further promote the production and use of biofuels. The draft guideline therefore establishes a binding minimum target for the use of biofuels, whose share of the total fuel market is to be 10 % by 2010. In addition, implementation of this goal would be governed by criteria that place a high priority on sustainability. According to these criteria, biofuels should contribute to reducing greenhouse gas emissions by at least 35 % and comply with a series of requirements related to biodiversity. The aim here is to prevent high quality land (e.g., forests and protected areas) from being used to produce raw materials for biofuel production.

[1] Unless stated otherwise indicated, the percentages associated with energy refer to energy percentages.

In a subsequent review of its renewable energy policy, the European commission came to the conclusion that there is sufficient agricultural crop land available in the EU 27 to simultaneously satisfy the demand for food and bioenergy. The European commission expects that grain production will exceed consumption in the year 2020, even with a blending ratio of 10 % for biofuels. As a result, there would still be excess grain. The long-term effect of European bioethanol production on grain prices is seen as minimal.

In order to achieve the minimum target of 10 % in 2020, the Fuel Quality Directive must also be revised. A proposal prepared by the EU commission envisions an increase of the permitted ratio of bioethanol in Otto engine fuels from the current 5 % by volume to 10 % by volume. The European Council and the European Parliament are expected to give final approval to the Fuel Quality Directive some time in 2008.

Compulsory ratios of biofuels in diesel and Otto engine fuels have existed in Germany since the enactment of the Biological Fuel Quota Law in 2007. For bioethanol, the mandatory blend ratio for Otto engine fuel consumption, based on energy content, will be increased in steps of 0.8 % per year from 1.2 % in 2007 to 3.6 % in 2010. The current mandatory blend ratio is 2.0 % for 2008. Furthermore, the law specifies that the total biofuel ratio be 6.25 % and 6.75 % for 2009 and 2010 respectively, increasing 0.25 % per year thereafter to reach 8 % by 2015. While the bioethanol used to achieve quotas is subject to the full amount of the fuel tax, bioethanol used to produce E85 will remain tax exempt until 2015. As a result of the binding quotas, the market potential for bioethanol in the German fuel market required just to fulfill these specified quotas will increase from 0.58 million m^3 in 2007 to over 1.5 million m^3 in 2010.

In addition, the federal cabinet presented a comprehensive legislative package on December 5, 2007, which is expected to be followed by another package by May 21, 2008 at the latest. With respect to biofuels, the percentage of biofuels in consumed fuel is to increase further to enable energy and climate policy targets to be achieved and have a greater impact on reducing greenhouse gas emissions as of 2015. The revised Biological Fuel Quota Law stipulates that the prescribed share of biofuels in consumed fuel increase to 17 % in 2010.

The revised Fuel Quality Directive should establish the regulatory preconditions that will enable a greater percentages of biofuels to be admixed. The plan was to increase the blending limits of bioethanol in Otto engine fuels from 5 % by volume to 10 %. The Sustainability Ordinance aims to establish minimum requirements for sustainable cultivation of agricultural areas used to produce biomass for biofuels.

After an initial debate in the German Bundestag on February 21, 2008, the draft legislation was forwarded to the responsible committees. On April 4, 2008, the Federal Ministry for the Environment issued a press release stating that the upper limit for biofuel ratios in gasoline would currently not be raised to 10 % by volume.

Operational risks

As an agricultural industry producer, Südzucker is exposed to certain operating risks that originate in Südzucker Group's specific operating activities and which could have a significant negative impact on its financial position and earnings.

Procurement risks | As a processor of agricultural products, Südzucker is exposed to procurement risks, which can be affected by weather conditions. As a result – despite their geographic distribution – agricultural raw materials can under certain circumstances only be available in small quantities. Furthermore, these raw materials are subject to price fluctuations – particularly grain – that cannot be completely passed on to our customers. These risks mainly affect the special products – especially bioethanol – and fruit segments. The cost components of production, particularly of bioethanol, are the raw materials required, especially wheat. The substantial increase in the price of wheat since spring of 2007 has resulted in a parallel increase in the material expense ratio in the European bioethanol sector. The strategy for purchasing grains is to cover as large a portion as possible of the future grain quantities that will be required, especially for bioethanol delivery obligations, through physical delivery contracts. Futures contracts are purchased only if not enough contract partners for physical deliveries can be found. Futures contracts are exclusively transacted for the purpose of securing future purchases of sufficient amounts of grain. This is achieved by offsetting the volumes of grains required in future months, summarized by due date and added together, against the futures contracts already purchased or planned. This process generates a hedge ratio; that is, the relationship between hedged and unsecured quantities.

In addition, rising grain prices can be partially offset by higher selling prices for the byproduct ProtiGrain®.

The increased use of sugar syrup to produce bioethanol has introduced a further opportunity to compensate for higher grain prices. The availability of this product is secured by delivery rights.

The sugar segment is exposed to procurement risks as a result of the beet price reductions and grain price increases. Beet growers formulate their plans with the aim of completely fulfilling their delivery rights. 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, efforts to continually improve the energy efficiency of the plants are an ongoing priority.

Competitive risks | Our markets are characterized by comparatively stable demand for products produced by Südzucker Group. Signs of possible changes in consumer behavior are detected early by the risk management system. Effects on Südzucker's market position are 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 – particularly in the special products and fruit segments – by continuously optimizing its cost structures and aiming to be the cost leader.

Product price risks occur as a result of price fluctuations in the world sugar market as well as the energy market.

Product quality | One of our aims is to maximize the quality of our products for the benefit of our customers. It is thus a given that we comply with all relevant legal standards for food. Südzucker counters quality defect risks arising, for example, from contaminated raw materials or processing errors through the strictest in-house quality standards. Group-wide compliance is regularly monitored.

Other operating risks | The importance of other operating risks arising in the production, logistics, research and development areas and through the use of information technology is comparatively minor. Südzucker mitigates risks through constant monitoring and continuous improvement of its business processes. With this in mind, Südzucker has standardized the information systems and processes within Südzucker Group. Since beginning of the fiscal 2006/07, sugar operations in Germany, France and Belgium as well as the ORAFTI, Palatinit and Bioethanol divisions have been using the same SAP system. Plans call for integrating additional divisions. This further strengthens the existing matrix organization introduced in 2003/04.

Our specialists and management staff are particularly important. We offer extensive training programs to prepare them for new challenges, together with attractive social benefits and compensation packages to cultivate long-term employee retention.

Legal risks

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 assets and financial position of the group.

Südzucker is exposed to potential changes in the legal environment, particularly in the food and environmental segments. Such risks are already determined at an early stage, their impact on the group's business activities evaluated and appropriate action taken if necessary.

Financial risks

Südzucker is exposed to market price risks resulting from currency exchange, interest rate and stock price fluctuations. In addition, there are commodity price risks, particularly for energy and raw sugar purchases, as well as grain and corn price risks. The currency exchange, interest rate and commodity price risks are secured to a limited extent using derivative instruments. These are executed on the basis of defined limits and exposure caps and are continuously monitored.

Liquidity risks

By issuing long-term bonds and using bank credit lines, we ensure that we have a balanced debt repayment profile and reduce our financing risks. Risks resulting from cash flow fluctuations are detected and controlled at an early stage as part of liquidity planning, which is an integral part of corporate planning. A revolving commercial paper program and credit lines with binding approval from banks give us access to substantial liquidity that enables us to meet the seasonal financing requirements associated with sugar campaign production at any time.

Creditworthiness and default risk

We mitigate the default risks on accounts receivable by constantly monitoring the creditworthiness and payment history of debtors and granting commensurate lines of credit. In addition, risks are capped using credit insurance and bank guarantees. We reduce credit risks associated with our investments by limiting our transactions to business partners and banks that have an excellent credit rating.

Detailed information regarding **currency exchange, interest rate and price risks** is provided in the notes to the annual report (34) “Financial risks”.

Rating

Moody’s Investor Service (Moody’s) and Standard & Poor’s (S&P) rating agencies assess Südzucker’s creditworthiness. A cut in the assigned rating could to some extent have a negative impact on the group’s cost of capital.

Overall risk

In summary, the overall risk position of the group is high, largely due to the continuing restructuring phase of the EU sugar market regulation.

Opportunities for further growth

By rigorously pursuing a corporate strategy aimed at long term value-based growth, Südzucker Group is also positioned to take advantage of many opportunities.

Sugar | In addition to the risks described above, the new SMRs provide opportunities to sustainably improve our competitive position in our core business area, sugar production in Europe. The structural changes in the European sugar industry caused by price drops will cause competitors to leave the industry, particularly in the European regions where the climate is less favorable. Südzucker is in an excellent competitive position because it focuses on the top agricultural regions. The company will also expand its market position in the industrial sugar sector. It already has logistical advantages, mainly because of its proximity to industrial sugar purchasers.

BENEO | Südzucker also enjoys an outstanding 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. Südzucker is the world’s leading supplier of prebiotic additives, as well as sugar-based sugar substitutes. The latter products are sold under the trade name Palatinit. The group is currently expanding its product lines with new applications for the pharmaceutical industry to take advantage of growth opportunities.

Bioethanol | Another important growth market is bioethanol production. Of particular importance here is the possibility to produce bioethanol fuel from sugar, which reduces reliance on fossil fuel sources as well as cutting CO_2 emissions. This type of fuel is already in widespread use in a number of countries, such as Brazil. In conjunction with the Kyoto Protocol, the Biomass Action Plan and the EU Strategy for Biofuels, the EU has also committed to using regenerative energy sources. Work is currently underway on firming up and implementing the commitments. The federal government has agreed on a commitment to blend biofuels with conventional petroleum-based fuels. The amendment still has to pass final reading. By establishing its bioethanol business, Südzucker has already laid the foundation to play a significant role in future as a supplier to the rapidly expanding biofuel market.

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.

Freiberger | Frozen convenience foods is one of Europe's steadily growing food industry segments. There is no end in sight to this 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.

Fruit | The newly formed fruit segment, which is based on acquisitions made over the past number of years by our AGRANA group subsidiary is also experiencing substantial growth. Already today, Südzucker Group is the world market leader for fruit preparations for the dairy industry. The fruit segment is also the European market's largest supplier of apple juice concentrates. Regions where the market remains relatively unsaturated, such as the United States, or where income levels are rising, such as in central and eastern European countries, Russia, China and Brazil, will be particularly important in the future. The group has addressed this trend by strengthening its competitive position in these regions by investing in locations close to its customers.

Outlook

Group

Again in fiscal 2008/09, forecasting is difficult because of the uncertainties associated with the restructuring phase of the EU sugar market. We expect to achieve group revenues of € 5.6 to € 5.8 billion. Declining revenues in the sugar segment are expected to be offset by increasing revenues in the special products and fruit segments.

We expect group operating profit to be in the range of € 230 to € 260 million[1]. The growth reflects our current expectation of considerable recovery by the sugar segment. The huge increase in raw material costs will increasingly be reflected in a deterioration of the special products segment's operating profits, in spite of the countermeasures being undertaken. We are expecting the fruit segment's operating profit to be approximately the same as last year.

Sugar segment

Via reform of the reform, by increasing the incentives for returning quotas in September 2007, the EU commission provided the necessary spark to start the required reduction in European sugar production capacity by 6 million tonnes of quota sugar. In addition to the voluntary returns of 2.2 million tonnes of quota in the first two sugar marketing years, a further 2.6 million tonnes were surrendered for the sugar marketing years 2008/09 and 2009/10 in the first wave, which ended on January 31, 2008, and an additional 0.8 million tonnes were surrendered to the fund in the second wave, which lasted until March 31, 2008. The increase in quota surrenders to 5.6 million tonnes demonstrates that the reform modifications were successful. The required structural capacity reduction has almost been achieved. The EU commission has announced that if no further quotas are returned by January 31, 2009 for the 2009/10 sugar marketing year, it will impose a linear, uncompensated final quota cut in February 2010 for the 2010/11 sugar marketing year, which will especially impact companies that to date have not participated to an adequate extent in the voluntary quota surrender program.

In the first and second wave, Südzucker returned 871,000 tonnes or 21 % of the previous quota to the fund. Based on these numbers, Südzucker Group will be entitled to 3.2 million tonnes of quota or 24 % of the future EU sugar quota as of the 2008/09 sugar marketing year. Among other things, Südzucker is implementing cost-cutting programs that go beyond the factory closures aimed at adjusting capacities as it works toward offsetting the missing profit contributions resulting from the lower quotas.

Südzucker is expanding its market share, particularly in adjacent European markets such as Italy and Spain. Südzucker is striving to play an active role in shaping the expected increase in imports from LDCs and ACP countries in order to further strengthen its own market position.

We expect sugar segment revenues to decline in 2008/09 as a result of the surrender of 0.8 million tonnes of sugar quota to the restructuring fund and the reference price reduction that will come into effect as of October 1, 2008.

The second phase of the step-by-step reduction in factory margin will impact profits in 2008/09. It started on October 1, 2007, the beginning of the 2007/08 sugar marketing year, and will continue until September 2008. The third stage will come into force as of the beginning of the 2008/09 sugar marketing year on October 1, 2008. In addition to these market-regulation-driven profit cuts, we expect the significant increase in energy costs to weigh on profits.

The 2007/08 operating profit was affected by the temporary burdens related to the market regulation reform as well as the missing market withdrawal in October 2007. As far as we can see, these effects will not be repeated in 2008/09.

A reasonable ratio of sugar production to consumption is a factor that will have a decisive impact on profit developments in 2008/09 and subsequent years. We expect the European sugar market to normalize over the course of the 2008/09 sugar marketing year and thus a significant improvement in the sugar segment's operating profit in fiscal 2008/09.

Special products segment

Supported by a sound market environment, we expect the special products segment's revenue growth to maintain its momentum in 2008/09, particularly in the bioethanol and

[1] Extraordinary income related to second wave quota return will be shown under results of restructuring and special items.

starch divisions. Südzucker Group will keep pace with this market growth by completing the bioethanol division's production capacity expansion initiatives. The bioethanol division's plant expansion in Zeitz and new production plants in Pischelsdorf and Wanze will start operations in 2008/09. We continue to expect the BENEO division to grow, which will lead to improved capacity utilization.

The special products segment's operating profit will decline significantly in 2008/09. This will be driven by the substantial increase in raw material prices, particularly in the bioethanol and starch divisions. This factor did not fully impact the 2007/08 result because of the successful early hedging of raw material prices.

Fruit segment

The fruit segment will focus on opening up new markets and increasing its penetration of existing markets. We expect revenues to increase and operating profit to remain at the same level as last year. Last year's steep rise in commodity prices heavily impacted the fruit juice concentrates division's development.

Capital expenditures

After several years of high capital spending, the major expansion expenditures will be completed in 2008/09, particularly in the bioethanol division. Together with the adjustment of maintenance spending budgets to the changed structures in the sugar segment, capital expenditures in 2008/09 will already fall to less than € 400 million, and in 2009/10 will return to a normal level of less than € 300 million.

Medium-term outlook

We are updating our outlook announced in spring 2007 for the 2009/10 business year due to adjustments to our forecast that address the changes over the past 12 months. These include the low long-term quota sugar volume, the dramatic increase in energy prices and the higher commodity price level.

We are now forecasting group revenues at the 2007/08 level of € 5.8 billion for 2009/10. The continued slump in revenues from the sugar segment will be offset by increasing revenues from the special products and food segments.

We are expecting group operating profit to be at least € 400 million. The downward revision of the forecast is mainly due to the adjustments in the special products segment.

In the sugar segment, we continue to expect that market conditions will stabilize following the restructuring phase and we are forecasting that operating profit will further recover from its 2008/09 level, despite dramatically higher energy prices.

Steady sales and revenue growth is also expected to lead to a significant increase in the special products segment's operating profit compared to 2008/09, assuming that excessive raw material price levels are temporary and that they will decline from their current highs. However, the planned operating profit growth for 2009/10 will be significantly lower than originally forecast in spring 2007 as a result of the raw material and energy price increases we have experienced since then.

We continue to expect a higher operating profit in the fruit segment for 2009/10.

Research and development, environment, quality management

Major projects/overview

The research, development and technological services activities of Südzucker Group are focused on exciting new topics, line extensions, new technologies to optimize the quality of products and production processes. The sales and marketing, business development and procurement departments are supported by specialists who provide specific expertise to the operational business.

The scope of work covers questions related to agricultural production, developments for sugar and sugar specialties, special functional carbohydrates like Isomalt and Palatinose™, Inulin and Fructooligosaccharides, fruit preparations/fruit-juice concentrates, starch and bioethanol.

In fiscal 2007/08, the company filed 24 patents for new developments to strengthen its dominant market position, mainly in the functional food area.

Research, development and technological service tasks are carried out by about 390 employees. Group-wide, subject-specific centers of expertise co-ordinate the work. The total budget for research, development and services in 2007/08 was € 36 (40) million.

Sugar and special products

Energy saving | By modifying the process control system and using additional precipitation equipment, a protein-rich fraction can be initially separated during the juice purification part of the sugar production process and subsequently re-absorbed before pellet drying. In addition to calcium savings in the juice purification process, this leads to significant savings in the amount of primary energy required for the pellet drying process and thus a corresponding reduction in emissions. First tests were carried out in a sugar factory in 2006 with promising results. After further optimization, the process will be introduced at the Offstein factory during the 2008/2009 campaign.

Fondant | In the Fondant sector, tailor-made developments for industrial customers were of particular importance. A special fondant type with a caramel flavor was developed for the Eastern European market and a dry fondant was launched in the markets of Benelux and Great Britain.

Compri sugar | New developments for customers led to products with a specific granulometry using a modified technology for producing homogenously colored agglomerates, which provide excellent properties in tabletting processes.

Retail products | The new instant preserving sugar "Fix und Fruchtig" was successfully launched in the retail market. Furthermore, new vanilla and rum-flavored caster sugars and colored sugars were introduced in the markets in Germany and Austria. "Momenti", a flavored sugar was developed in cooperation with Sara Lee for the Belgian market. A reduced calorie cane sugar (mixture of cane sugar with intense sweeteners) has also been developed and launched.

Functional carbohydrates

Nutritional science

Isomalt/Palatinose™[1] | Nutritional research for BENEO Palatinit focused on substantiating health claims for Palatinose™. It was confirmed that the ingestion of Palatinose™ promotes body fat oxidation in humans (athletes and non-athletes), whereas traditional sugars and digestible starches lead to the expected higher carbohydrate use. This metabolic property of Palatinose™ results in a higher fat utilization, which makes Palatinose™ a promising supplement for maintaining body weight and combating obesity.

Results of earlier investigations indicating that Palatinose™ is a longer lasting source of glucose for athletes engaged in endurance sports and that it improves the performance of athletes in end-spurt situations were confirmed.

Further human trials confirmed the prolonged energy supply properties of Palatinose™ in mixtures when compared to rapidly digestible traditional carbohydrates. The results show that partial replacement of rapid and high glycemic sugars may already significantly contribute to a prolonged energy supply.

In a study of overweight people with a tendency to develop diabetes in later life, the use of Palatinose™ sweetened foods and beverages resulted in a significantly reduced risk of contracting diabetes. Palatinose™ may therefore help prevent diabetes. The disease is estimated to affect about 25 % of the population.

Inulin | New findings on inulin and oligofructose (BENEO Orafti) confirm the prebiotic effect (selective bifidobacteria growth) of Orafti® Synergy1 in neonates exhibiting the same gut micro organism profile as breast-fed infants.

Synergy1 was also shown to enhance the cholesterol-reducing effects of soy in hyperlipidemic subjects (total cholesterol/HDL-C ratio).

In studies targeting animal nutrition, adding inulin and oligofructose to pets' diets led to greater vitality.

Application technology/product and process development

Isomalt | The main focus was Isomalt developments for hard boiled candies and coated chewing gums. In addition to optimizing quality, innovations were a high priority. These include new products incorporating functional ingredients or special colors and flavors.

galenIQ™ | The monographed Isomalt-based product line galenIQ™ for pharmaceutical applications was introduced to the world market. galenIQ™ properties are particularly suitable for tabletting and for coating tablets and masking the unpleasant taste of active ingredients. Special galenIQ™ variants were suitable for use as starter pellets to produce capsule fillings with special active ingredient release characteristics.

Palatinose™ | Based on its physiological application profile, products using Palatinose™ were successfully launched in the area of functional and isotonic beverages, such as athletes' drinks. The combination with fruit preparations in "smoothies" or in flavored mineral water shows the broad application profile of Palatinose™.

Using Palatinose™ in fermented drinks looks very promising, especially in beer and blended beer drinks. Palatinose™ can be added during the brewing process and it was shown that most yeasts and other bacteria are not able to convert this disaccharide. Combining it with hops improves the microbiological stability of beer and beer-mix products and leads also to a reduced alcohol concentration. The addition of Palatinose™ to alcohol-reduced or alcohol-free-beers optimized the sensory profile and taste of these beverages. The improved body and oral sensation, as well as the positive influence on the formation of fermentation by-products, lead to good quality beers and enhanced long-term stability.

Inulin | New product development was focused on inulin and oligofructose products with a low sugar content, and inulin products with improved solubility. A modified process for the production of oligofructose was developed and successfully implemented on an industrial scale.

Our food application work and our active customer support aim to optimize the nutritional and taste/texture profile of food products containing inulin and oligofructose, such as dairy products, fruit preparations, baked goods, cereal-based products and bars, as well as processed meat applications.

In the technical non-food application area it was clearly shown that inulin-based surfactants (Inutec®SP1t) have technical and economic advantages when used in rubber processing and as an aid to increased perfume adsorption in laundry applications. A patent application was filed for both areas. Additionally, more positive research results were obtained using Inutec®SP1t in emulsion polymerization (paint applications) and silicone emulsions.

Rice bran | A new product with nutritional added value was developed. RemyLiVe® is based on rice bran and germ, a by-product of the rice-milling process. RemyLiVe® combines all the good macronutrients and micronutrients from the outer layer of brown rice: dietary fibers, complex carbohydrates, hypo-allergenic proteins, poly-unsaturated fats, phyto-sterols, anti-oxidants, vitamins and minerals. RemyLiVe® is used in different food applications such as bread and bakery items, extruded snacks, breakfast cereals, nutrition bars, etc.

New technologies to produce carbohydrates and their derivatives

Catalytic oxidation of carbohydrates | Oxidized carbohydrates are used in large quantities in technical applications and in the food industry.

A new oxidation process using gold catalysts was developed and demonstrated that a number of carbohydrates can be easily converted to corresponding oxidized forms. After successful completion of the laboratory phase, larger scale activities were started. Conceptual studies for a multipurpose production line are part of the strategy for this business development activity.

White biotechnology | In view of shrinking resources and the related increase in raw material and energy prices, together with a stricter environmental regulatory framework, sustainable processes and products are increasing in importance. Industrial white biotechnology is one of the key futuristic technologies of the 21st century. Major players in the chemical, pharmaceutical and food industry have combined to form the "micro-genome research" association to coordinate and agree upon industrial activities in this area.

Südzucker is a founding member of this initiative and has started research projects in this area.

Bioethanol

Research and development activities in the bioethanol area focus on the production-related optimization of existing processes and developing concepts for new plants in Zeitz and Wanze. Particular attention was paid to investigating an expanded scope of raw materials and analyzing their effects on the production lines. As part of this initiative, various technological steps (in particular the use and variation of enzymes) were tested and implemented in the production facilities.

Exploiting the excellent fuel properties of bioethanol in combination with fuel cells promises sustainable, highly efficient energy conversion. Bioethanol fuel cell development with different technological approaches is therefore being supported in various projects. Bioethanol fuel cells are part of the strategy to evaluate new application fields for bioethanol.

Starch

Starch is primarily produced by Südzucker Group for the food and non-food sectors based on corn, waxy corn and potatoes. Südzucker Group is the market leader in the rice starch sector.

Food | Intensifying activities in the food area enabled the group to take advantage of synergies, which led to the development of a number of new products, particularly for use as thickeners in fruit preparations. An additional focal point of the development work is in developing organic starches for special applications.

Work is being conducted on basic formulations and optimization of different food applications in a newly equipped laboratory for food applications technology. This serves to support the sales and marketing activities for these starch products.

Overall, it proved possible to penetrate new market sectors for starch products through new products and application technology support for customers, as well as to make existing processes more economical.

Non-food | Non-food research projects include paint thickeners, applications in the construction sector, glues in the packaging industry, binders for paper coating and additives for the cosmetics industry.

In cooperation with major associates from the paper industry, we have found a new application for starch: it can be used as a co-binder in paper coating inks. After extensive development work, starch products with improved binding strength that exhibit the same good runnability as the market standard dextrin were successfully developed. We have now started to introduce these new types of starch to the market.

Starch products play a crucial role in the construction sector. Special starch ethers can be used as a processing additive in cement-like systems, such as mortar, and in a wide variety of plaster systems (cement, gypsum) and also as an additive for concrete.

We have succeeded in developing a specially modified starch that greatly improves tile adhesive processing properties. A patent has been filed. Full-scale production systems for this new starch were rapidly and smoothly built, and the product has already been very successfully introduced to the market.

A further focus of our activities in the construction sector consists of investigating new construction applications for starch products. As a result of our close contact with the building industry, we have been able to identify new fields of application and develop starch additives for use in synthetic resin plasters, fluid coatings and cement foams. Development work for these new applications is ongoing.

Environment

Südzucker has a long tradition of adhering to the principles of sustainable, forward-looking business practices. We apply these to agricultural production, from planting to harvest. We utilize all byproducts, eliminate or reduce environmental pollution and always design our production, logistics and other business processes to preserve resources. Practical examples that apply to sugar beets are the way we selectively combat weeds and fight leaf diseases without exceeding thresholds that could be otherwise detrimental. We fertilize only as needed and according to EUF soil analyses. That not only reduces fertilizer costs, but is also beneficial to the environment. The complex issue also relates to the financial trade-off between the value of high-quality beets and environmentally sound fertilization. Great success has also been achieved in the area of erosion and soil protection, where experiments and developments are transformed into real-world projects thanks to support from Südzucker. In the production area, we focus on integrating environmental protection into our processes. Not only do we ensure there is no waste from the raw beets themselves, we also make certain that all byproducts associated with the main products can be used properly and effectively. Energy is of particular importance with regard to climate and the environment, but it also impacts costs. Our sugar factories are cogeneration-based operations with district heating capabilities. Their efficiency is over 85 %, which compares to the 35 to 40 % for conventional power stations. Südzucker has been able to optimize energy use to the extent that in the past twenty years, the amount of energy required for beet processing has dropped by about one-third, and this in spite of the fact that in the previous fifteen years (1970-1985), energy used specifically in this area had already been cut by 40 %. Major progress has also been made in the logistics of beet and sugar transportation. Sugar is primarily transported in dry bulk tankers, on railroad cars or by ship. Fifty percent of the shipments are bulk shipments; i.e., there is no packaging material. Environmentally friendly packaging materials are used for household packages. These consist mainly of single-layer paper bags. As a rule, the sugar group's infrastructure makes it possible to minimize transportation distances to customers.

These brief examples demonstrate our company's sustainability strategy in practice. As in previous years, the environment was the capital spending focus of the Südzucker Group's sugar segment. Details about individual projects are outlined in the following and in the capital expenditures section.

Co-incineration of carbonation exhaust vapors in the pellet drying area at the Wabern plant has enabled us to reduce ammonia emissions as required to meet new limit values. At the Zeitz factory, a new scrubber was installed and started up to handle carbonation vapors. As a result, this plant is now also able to comply with new ammonia emission limits. The existing plan to minimize NH_3 emissions in the sugar factories will continue to be systematically implemented in the coming year as part of the projects planned for Ochsenfurt und Plattling. Results with the new cyclone at the Offstein factory when firing with natural gas were excellent. Some improvements are still required for wood pellet firing. The new Line 1 cyclones at the Offenau facility produced excellent results for both natural gas and wood pellet firing and were in compliance with dust limits of 60 mg/Nm^3(f). The cyclones for lines 2 and 3 are scheduled to be replaced next.

The bioethanol production plant expansion project in Zeitz includes a plan to send the exhaust gases from the fermentation, distillation and evaporator units to an afterburner, mainly to prevent odor emission.

The Südzucker Group is preparing to implement the EU chemical directive (REACH directive). Materials used by the Südzucker Group are presently being compiled and evaluated with respect to the REACH directive specifications.

Applications for allocation of emission rights for the second trading period between 2008 and 2012 were submitted to the German emissions trading authority (DEHSt) by mid-November 2007. The corresponding allocations have now been received. The required ex post corrections were also carried out together with DEHSt, so that now all processing and transactions for the first trading period (2005-2007) have been completed. The monitoring concepts for gathering and documenting emissions at the production locations were revised to comply with the new commission guidelines and submitted to the approvals authorities.

Quality management

Südzucker AG has used the DIN EN ISO 9001:2000 quality management standard as the basis for implementing other standards for many years. Standards such as IFS (International Food Standard), which were introduced later, are integrated into this certified quality management system.

In November/December 2007 the Ochsenfurt, Offenau, Offstein (special products), Plattling, Rain and Zeitz plants, as well as BENEO-Palatinit GmbH succeeded in passing the higher level of the standard, version 4. The priority now is to reach the next level, version 5.

All Südzucker AG locations are certified according to Qualität und Sicherheit GmbH (QS) specifications with regard to animal feed. Most Südzucker locations, as well as BENEO-Palatinit and Südzucker Bioethanol in Great Britain and Ireland are also certified in accordance with the GMP + B2 standard.

BENEO-Palatinit produces the pharmaceutical transmitter medium galenIQ™ for the pharmaceutical industry. IPEC-PGQ-GMP guidelines outline the requirements for proper production of pharmaceutical additives. An external GMP compliance audit was conducted to assess whether these GMP guidelines were appropriately introduced and confirmed that they were properly implemented.

Capital expenditures

The group's capital expenditures on fixed assets and intangible assets (excluding additional quotas) totaled € 494 (378) million. The sugar segment accounted for € 139 (139) million, special products € 312 (190) million and fruit € 43 (48) million. In fiscal 2007/08, Südzucker spent € 3 (159) million on additional quotas, all for the Czech Republic. The major capital expenditures are outlined below, grouped by segment.

Sugar segment

Germany | In 2007/08, capital spending at Südzucker AG's factories focused on the environment, replacements and optimization. In the environment category, there were the new dust collectors for the pulp drying systems at the Offenau and Offstein factories and a gas scrubber to reduce ammonia at the Zeitz plant. The first phase of the project to refurbish the process control system for the boiler at the Offenau facility and the improvement of the evaporator units at the Rain factory will save energy. The program to revamp the identification systems at the beet yards and replace the associated computers continues. In 2007, a new beet yard computer was installed at the Offenau plant. The packing and shipping area at the facility was also improved.

Belgium | The focus of capital spending at Raffinerie Tirlemontoise was also on environmental programs. A new boiler room dust collector was started up in Tienen, and a new wastewater system associated with the ethanol project went into operation in Wanze. Parts from closed factories are being reused to construct the new lime kiln in Wanze.

France | The largest investment at Saint Louis Sucre is on a project to construct a 40,000-tonne sugar silo in Roye, complete with associated infrastructure.

Poland | At Südzucker Polska, reconstruction of the Cerekiew sugar factory, new beet syrup and molasses tanks construction, modernization of the sugar house and the introduction of beet syrup storage technology have all been completed. Capital spending at the Strzelin, Strzyzów and Ropczyce sugar factories was focused on projects to cut energy, lime and coke consumption.

Bosnia-Herzegovina/Hungary | AGRANA's major capital expenditures were by the AGRANA International division, which constructed a raw sugar refinery in Brčko, Bosnia-Herzegovina and a biogas plant in Kaposvár, Hungary. Other programs were aimed primarily at energy saving. The Brčko raw sugar refinery will produce 150,000 tonnes of white sugar annually starting in April 2008. The biogas plant in Kaposvár, which was started up in time for the 2007 campaign, will reduce the amount of fossil-fuel-based primary energy required to generate steam by 40 %.

Special products segment

BENEO division (Orafti/Palatinit/Remy) | BENEO-Orafti invested in process optimization programs in Belgium. In Chile, the product portfolio was further expanded and the storage capacity for heavy fuel oil was increased because of the unreliability of the gas supply. Isomalt GS capacity was expanded at BENEO-Palatinit in Offstein, as were the picking and packing facilities for liquid Isomalt products. The mixing system is at the commissioning stage. BENEO-Remy is investing in expanding rice starch production.

Bioethanol division | CropEnergies is further expanding the Zeitz plant and is increasing the production capacity in two steps; from 100,000 m^3 to 360,000 m^3 of bioethanol per year. Expansion of the existing grain system has been completed. Construction of a separate fermentation and distillation system for sugar beets was completed in spring 2008. Construction of the new bioethanol plant in Wanze, Belgium is well underway. It is expected to be started up on schedule in fall 2008. The test run of AGRANA's ethanol factory in Pischelsdorf was successful. Corn, wheat and beet syrup (10 % admixture) were used as raw materials and the plant was operated at about 75 % of full load. Because of high raw material prices, the plant was temporarily shut down as planned in mid-November 2007. It is scheduled to be restarted at the end of May 2008.

Freiberger division | The investment focus was on plant optimization and installation of a new baking oven at the Muggensturm factory.

Starch division | The AGRANA starch division invested in its expansion program for modified starches. The new bio-ethanol plant was started up at HUNGRANA in Hungary in December 2007. It is expected that the plant will reach its rated processing capacity of 3,000 tonnes of corn by the end of the first quarter 2008.

Fruit segment

Fruit division | Major capital expenditures went into construction of the new fruit preparation factory in Brazil and improvement programs, such as raising the safety standards at the Mexican factory and enhancing productivity in Austria. There was some initial capital spending on the capacity expansion in Serpuchov/Russia. Plans are to double the current annual capacity by 2012/13.

Juice division | In addition to spending on replacements, the juice division invested in expanding its sterile storage tank capacity. This will enable it to increase production and storage of high-end not-from-concentrate apple juice, for which market demand is rising. In Xian Yang/China, spending was focused on improving the capacity and yield of the systems. A new wastewater pretreatment system went into operation in Vaslui/Romania. Another major capital spending project was in Lipnik/Poland, where an evaporator with an aroma recovery system was installed and existing systems were replaced by improved technology developed by AGRANA Juice.

Personnel

Südzucker Group employed an average of 18,642 (19,575) persons during 2007/08. Of these, 4,095 (4,167) worked in Germany, 10,315 (10,895) in other EU countries, 2,054 (1,842) and Eastern Europe and 2,178 (2,671) in other regions around the world. Personnel cutbacks are primarily attributable to the sugar segment, particularly in France and Poland. The factory closures in Germany are not fully reflected in these numbers. The sugar market regulation reform forced Südzucker to implement restructuring measures that affected factories in Brugelette/Belgium, Groß-Gerau/Germany, Guignicourt/France, Lubna/Poland, Petőháza/Hungary, Regensburg/Germany and Chybie/Poland. Some of these have already been closed, while others are scheduled to be shut down. Socially responsible agreements were developed for the affected workers. These ranged from new employment offers at facilities that were converted for alternate use, or at other locations, right up to training programs in transitional companies. These far reaching initiatives enabled the company to spare its workers from severe hardship and offer many employees brighter prospects for the future. Older workers were offered early retirement and partial retirement programs that enabled them to transition to this phase of their life smoothly. Overall, Südzucker considers that it was able to implement the factory closures associated with the sugar market regulation reforms in a way that was fair to its employees.

Group employees (average for the year)

	2007/08	2006/07
Sugar	10,043	10,885
Special products	3,903	3,966
Fruit	4,696	4,727
Total	**18,642**	**19,575**

Networking and knowledge transfer at all levels is particularly important to an international company operating in a wide range of business segments. International programs based on the advanced group integration continue to be implemented to support the "Building the group" culture. These boost skills, raise intercultural awareness, make employees willing to create change processes and build intercompany networks. The target groups are especially young managers and specialists. Our human resources strategy is based on an analysis of the future skills required by our employees and the necessary personnel capacity.

Compliance | The human resources department has a mandate to ensure compliance with corporate governance guidelines and focuses particularly on prevention. Linking corporate values to compliance makes it easier to understand the guidelines and highlights that all employees in the group share this responsibility.

European Works Council | The fifteen-member European Works Council met with the executive board in mid-2007 to discuss in detail current issues affecting Südzucker Group. The main topics were the impact of the reforms of the EU sugar market regulation on the sugar segment, the strategic direction of Südzucker Group and the associated future prospects for employees.

Employee suggestion program | The employee suggestion program is a fixture at Südzucker AG. The 553 (582) improvement suggestions, of which 372 (338) were monetarily rewarded, are a testament to how highly motivated the company's employees are.

Work safety | Occupational health and safety is a high priority at all Südzucker Group companies. The associated programs are an integral part of the management system. They make a major contribution to the company's success and to the personal health of its employees. Preventive programs are focused on conducting risk assessments, testing the tools and equipment used to carry out the work and employee training. Südzucker Group ranks very highly, both in its accident-free record and nonproductive time related to accidents.

Thank you | The executive board thanks all Südzucker Group employees for their commitment and performance in 2007/08. Once again this year, a high degree of trust and constructive cooperation was in evidence whenever meetings were held with the works councils, both German and international. We sincerely thank the members of the works councils for their contributions.

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 forms the basis of transparency and fulfills the need to keep shareholders and the public comprehensively informed in a timely manner. Südzucker AG has published this corporate governance report in consideration of the rules of the German Corporate Governance Code dated June 14, 2007.

Effective corporate governance is a given at Südzucker and has been an integral part of its policies for many years. The company's practice is 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 June 14, 2007 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 an individual, company-specific code. With a few exceptions, we comply with the recommendations of the code.

Declaration of compliance | The mutual declarations of compliance by the executive board and supervisory board for 2007 and prior years is posted on Südzucker's Web site at (http://www.suedzucker.de/en/investorrelations/governance/). The current declaration reads as follows:

"On July 27, 2006, shareholders at the annual general meeting of Südzucker AG Mannheim/Ochsenfurt resolved not to publish details about individual executive board members' remuneration for a period of five years.

Südzucker AG Mannheim/Ochsenfurt's practice is and will continue to be in accordance with the recommendations of the Commission of the German Corporate Governance Code version dated June 14, 2007, with the following exceptions:

Item 5.4.7:

We report the supervisory board's compensation broken down by fixed and performance-based components. There is no stock option program at Südzucker AG. The code recommendation regarding disclosure of individual supervisory board members' remuneration has not been followed. In our view, the benefits of such practice bear no reasonable relation to the associated invasion into the individuals' privacy. As a result, the corporate governance report contains no information about individual supervisory board members' compensation.

Item 5.3.3 (new):

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 be given the opportunity to participate in selecting candidates from among their peers for said body."

Information in accordance with articles 289 para. 4 and 315 para. 4 of the German Commercial Code; explanatory report by the executive board in accordance with article 175 para. 2 of the Stock Corporation Act | According to article 315 para. 4 of the German Commercial Code, the company is required to report on certain structures governed by company law, and other legal relationships, in order to provide a better overview of the company and disclose any impediments to a takeover:

As of February 29, 2008, the subscribed capital is valued at about € 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 that exceed 10 % of the voting rights:

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Ochsenfurt holds over 55 % of the subscribed capital through its own shareholdings and shares held in trust for its owners. A further 11 % of the subscribed capital is held by Zucker Invest GmbH, Tulln (formerly ZSG Deutschland Vermögensverwaltung GmbH, Mannheim).

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 item 2 of Südzucker AG Mannheim/Ochsenfurt's bylaws in the version dated July 24, 2007 (http://www.suedzucker.de/investorrelations/de/satzung/), the supervisory board determines the number of executive board members and the supervisory board also has the authority to appoint deputy members to the executive board. Article 179 of the German Stock Corporation Act governs any changes to the bylaws.

Nominal capital is conditionally increased by up to € 13,000,000. This conditional capital increase will only be carried out by issuing up to 13,000,000 new shares to the extent necessary to meet the conversion rights arising from the convertible bond issued on December 8, 2003. The convertible bond expires on December 8, 2008 and bears a coupon with a rate of 3 %; it can be converted to Südzucker shares at a rate of € 20.23 per share. The conditions for conversion were first met in fiscal 2006/07, but to date no conversion rights have been exercised.

No authorized capital exists. Shareholders at the annual general meeting of July 24, 2007 voted in favor of canceling the capital authorized by shareholders at the 2005 annual general meeting, of which there was an unused portion.

Shareholders at the 2007 annual general meeting gave the executive board the authority to buy back up to 10 % of the company's current total share capital by January 23, 2009 in accordance with article 71 para. 1 item 8 of the German Stock Corporation Act. The shares can be acquired on the open stock market or via a public offer to purchase sent to all shareholders. The costs of buying back own shares may also be charged against net retained earnings or other revenue reserves.

Among other things, the executive board was given the right, subject to approval of the supervisory board, to sell the shares it had bought back to third parties and to exclude the shareholder subscription rights in the case of corporate mergers or when purchasing companies or parts of companies or shares of companies.

No material agreements were entered into that would come into effect in the event of a change of control resulting from a takeover offer.

An explanation of compensation agreements for members of the executive board or employees in the event of a change of control is therefore not required, since no such agreements exist.

Neither do the other reporting requirements specified in articles 289 para. 4 and 315 para. 4 of the German Commercial Code relate to circumstances that exist at Südzucker AG.

Remuneration | Südzucker AG's executive board compensation consists of a fixed annual salary, a variable incentive, 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. The remuneration of the executive board is determined by the supervisory board's executive committee and is reviewed regularly. The amount paid by Südzucker AG to the executive board in 2007/08 totaled € 2.8 (3.3) million. The variable incentive will be 36 % (42 %) of cash compensation. It is calculated on the basis of the dividend amount still to be declared by the shareholders at the 2008 annual general meeting. Members of the executive boards of subsidiaries were paid € 1.6 (1.7) million. Pension provisions for members of the executive board were increased by € 0.3 (0.6) million.

The supervisory board is compensated in accordance with article 12 of Südzucker AG's bylaws. In addition to recovery 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 chair 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 paid to Südzucker AG's supervisory board for all activities was € 1.2 (1.5) million in 2007/08.

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 reasonable deductible, which covers the activities of members of the executive and supervisory boards (D&O insurance).

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 2008, a member of the supervisory board acquired 5,000 shares at a price of € 14.05 per share.

The security transactions subject to disclosure that were announced in 2007/08 are published on Südzucker's Web site at (http://www.suedzucker.de/investorrelations/de/directorsdealing/).

Consolidated financial statements of Südzucker AG

Income statement

1 March 2007 to 29 February 2008

€ million	Note	2007/08	2006/07
Revenues	(6)	**5,779.6**	**5,764.9**
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	135.2	75.8
Other operating income	(8)	257.2	273.1
Cost of materials	(9)	-3,502.8	-3,350.8
Personnel expenses	(10)	-708.1	-708.2
Depreciation	(11)	-295.5	-348.5
Goodwill impairment loss	(12)	0.0	-580.4
Other operating expenses	(13)	-1,476.3	-1,254.8
Income (loss) from operations	(14)	**189.3**	**-128.9**
Income from associated companies	(15)	23.4	0.7
Financial income	(16)	49.6	47.8
Financial expense	(16)	-142.3	-146.8
Earnings (loss) before income taxes		**120.0**	**-227.2**
Taxes on income	(17)	-20.3	-18.8
Net earnings (loss) for the year		**99.7**	**-246.0**
of which attributable to Südzucker AG shareholders		19.5	-326.6
of which attributable to hybrid equity capital		26.2	22.8
of which attributable to other minority interest		54.0	57.8
Earnings (loss) per share (€/share) diluted/undiluted	(19)	**0.10**	**-1.72**

Cash flow statement

1 March 2007 to 29 February 2008

€ million	Note	2007/08	2006/07
Net earnings (loss) for the year		99.7	-246.0
Depreciation and amortization of intangible assets, fixed assets and other investments	(11), (12)	301.6	943.5
Decrease (–) in non-current provisions and deferred tax liabilities		-19.8	-16.2
Other (+) income/expense (-) not affecting cash		116.5	-127.3
Cash flow from operating activities		**498.0**	**554.0**
Gain on disposals of items included in non-current assets and of securities		-22.8	-12.4
Increase (+)/decrease (–) in current provisions		145.5	-62.2
Increase (–) in inventories, receivables and other current assets		-673.3	-78.0
Decrease (–)/increase (+) in liabilities (excluding financial liabilities)		-164.4	464.2
Change in working capital		-692.2	324.0
I. Net cash flow from operating activities		**-217.0**	**865.6**
Capital expenditures on fixed assets and intangible assets	(21), (22)	-496.8	-536.4
Acquisition of, and investments in, non-current financial assets	(23)	-53.0	-62.4
Capital expenditures		**-549.8**	**-598.8**
Cash received on disposals of non-current assets		233.2	45.2
Cash paid (–)/received (+) on the purchase/sale of securities in current assets		-45.4	-49.5
II. Cash flow from investing activities		**-362.0**	**-603.1**
Capital increases		9.5	209.4
Dividends paid		-161.5	-162.8
Receipt (+) of financial liabilities		121.4	59.9
III. Cash flow from financing activities		**-30.6**	**106.5**
IV. Change in cash and cash equivalents (total of I., II. and III.)		**-609.6**	**369.0**
Change in cash and cash equivalents			
due to exchange rate changes		-1.9	-2.4
due to changes in entities included in consolidation		-2.2	4.8
Decrease (–)/increase (+) in cash and cash equivalents on the balance sheet		**-613.7**	**371.4**
Cash and cash equivalents at the beginning of the year		830.3	458.9
Cash and cash equivalents at the end of the year		**216.6**	**830.3**

Balance sheet

29 February 2008

Assets

€ million	Note	29.02.2008	28.02.2007
Intangible assets	(21)	1,162.4	1,340.3
Fixed assets	(22)	2,537.9	2,343.5
Shares in associated companies	(23)	64.1	69.1
Other investments and loans	(23)	115.1	132.0
Securities	(23), (30)	19.5	27.9
Receivables and other assets	(25)	303.9	7.7
Deferred tax assets	(17)	60.1	30.4
Non-current assets		**4,263.0**	**3,950.9**
Inventories	(24)	2,295.7	2,086.5
Trade receivables and other assets	(25)	967.8	896.4
Current tax receivables		16.5	59.3
Securities	(30)	157.8	108.4
Cash and cash equivalents	(30)	216.6	830.3
Current assets		**3,654.4**	**3,981.0**
Total assets		**7,917.4**	**7,931.9**

Liabilities and shareholders' equity

€ million	Note	29.02.2008	28.02.2007
Subscribed capital		189.4	189.4
Capital reserves		1,137.6	1,137.6
Revenue reserves		713.8	779.6
Equity attributable to shareholders of Südzucker AG		*2,040.8*	*2,106.6*
Hybrid capital		683.9	683.9
Other minority interest		574.8	571.4
Shareholders' equity	(26)	**3,299.5**	**3,361.9**
Provisions for pensions and similar obligations	(27)	401.7	398.9
Other provisions	(28)	211.3	174.1
Non-current financial liabilities	(30)	1,232.6	1,518.8
Other liabilities	(29)	21.0	23.5
Deferred tax liabilities	(17)	165.2	249.4
Non-current liabilities		**2,031.8**	**2,364.7**
Other provisions	(28)	181.5	35.8
Current financial liabilities	(30)	669.0	258.8
Trade payables and other liabilities	(29)	1,716.9	1,883.6
Current tax liablilities		18.7	27.1
Current liabilities		**2,586.1**	**2,205.3**
Total liabilities and shareholders' equity		**7,917.4**	**7,931.9**

Changes in shareholders' equity

1 March 2007 to 29 February 2008

€ million	Sub-scribed capital	Capital reserves	Other revenue reserves	Fair value reserve	Accu-mulated foreign currency translation differences	Total revenue reserves	Equity of Südzucker share-holders	Hybrid capital	Other minority interest	Total share-holders' equity
01 March 2006	**189.4**	**1,137.6**	**1,209.7**	**5.3**	**34.7**	**1,249.7**	**2,576.7**	**683.9**	**472.2**	**3,732.8**
Net loss (-)/earnings (+) for the year			-326.6			-326.6	-326.6	22.8	57.8	-246.0
Distributions			-104.1			-104.1	-104.1	-22.8	-21.8	-148.7
Capital increase						0.0	0.0		209.4	209.4
Exchange rate changes					-42.4	-42.4	-42.4		-6.4	-48.8
Mark-to-market gains and losses on securities and cashflow hedging instruments				4.4		4.4	4.4		-0.4	4.0
Other changes			-1.3	-0.1		-1.4	-1.4		-139.4	-140.8
28 February 2007/ 01 March 2007	**189.4**	**1,137.6**	**777.7**	**9.6**	**-7.7**	**779.6**	**2,106.6**	**683.9**	**571.4**	**3,361.9**
Net loss (-)/earnings (+) for the year			19.5			19.5	19.6	26.2	54.0	99.7
Distributions			-104.1			-104.1	-104.1	-26.2	-20.4	-150.7
Capital increase						0.0	0.0		7.6	7.6
Exchange rate changes					18.0	18.0	18.0		-0.1	17.9
Mark-to-market gains and losses on securities and cashflow hedging instruments				-1.2		-1.2	-1.2		-3.7	-4.9
Other changes			-0.5	2.5		2.0	2.0		-34.0	-32.0
29 February 2008	**189.4**	**1,137.6**	**692.6**	**10.9**	**10.3**	**713.8**	**2,040.8**	**683.9**	**574.8**	**3,299.5**

Further disclosures on shareholders' equity are included in note (26) of the notes to the consolidated financial statements.

Net earnings (loss) for the year and other income and expenses recognized directly in equity

€ million	2007/08	2006/07
Net earnings (loss) for the year	**99.7**	**-246.0**
Market value of securities available for sale		
Changes in cumulative other comprehensive income of the Group recognized directly in equity	-8.0	-0.9
Realized other comprehensive income reclassified to profit or loss	-3.4	0.0
Market value of hedging instruments (cashflow hedge)		
Changes in cumulative other comprehensive income of the Group recognized directly in equity	5.1	1.5
Realized other comprehensive income reclassified to profit or loss	0.4	4.1
Deferred taxes on revaluation gains and losses recognized directly in equity	1.0	-0.7
Mark-to-market gains and losses on securities and cashflow hedging instruments	-4.9	4.0
Exchange differences on translating foreign operations	17.9	-48.8
Income and expenses recognized directly in equity	**13.0**	**-44.8**
Total	**112.7**	**-290.8**
of which attributable to Südzucker AG shareholders	36.3	-364.6
of which attributable to hybrid equity capital	26.2	22.8
of which attributable to other minority interests	50.2	51.0

Notes to the consolidated financial statement for the financial year from 1 March 2007 to 29 February 2008

Segment reporting

1. Business segments

€ million	2007/08				2006/07			
	Group	Sugar	Special products	Fruit	**Group**	Sugar	Special products	Fruit
Gross revenues	**6,038.4**	**3,683.7**	**1,502.1**	**852.5**	**5,980.1**	**3,758.0**	**1,307.5**	**914.6**
Consolidation	–258.8	–219.6	–39.2	0.0	–215.2	–215.2	0.0	0.0
Revenues	**5,779.6**	**3,464.1**	**1,462.9**	**852.5**	**5,764.9**	**3,542.8**	**1,307.5**	**914.6**
EBITDA	**488.7**	**212.8**	**195.3**	**80.6**	**681.8**	**412.5**	**180.8**	**88.5**
Depreciation of fixed assets and intangible assets	–255.6	–152.3	–66.1	–37.1	–262.4	–153.2	–66.3	–42.9
Operating profit	**233.1**	**60.5**	**129.1**	**43.5**	**419.4**	**259.3**	**114.5**	**45.6**
Restructuring costs and special items	–43.8	–20.3	–18.9	–4.6	32.1	–108.7	140.8	0.0
Goodwill impairment loss	0.0	0.0	0.0	0.0	–580.4	–482.4	–98.0	0.0
Income (loss) from operations	**189.3**	**40.2**	**110.2**	**38.9**	**–128.9**	**–331.8**	**157.3**	**45.6**
Segment assets	**7,267.7**	4,539.9	1,941.5	786.3	**6,674.4**	4,217.7	1,744.1	712.6
Segment liabilities	**2,532.5**	2,112.1	286.5	133.9	**2,515.9**	2,081.0	317.2	117.7
Capital employed	**5,004.6**	2,785.3	1,438.2	781.1	**4,766.8**	2,709.1	1,369.4	688.3
EBITDA margin	**8.5 %**	6.1 %	13.3 %	9.5 %	**11.8 %**	11.6 %	13.8 %	9.7 %
Operating margin	**4.0 %**	1.7 %	8.8 %	5.1 %	**7.3 %**	7.3 %	8.8 %	5.0 %
Return on capital employed	**4.7 %**	2.2 %	9.0 %	5.6 %	**8.8 %**	9.6 %	8.4 %	5.9 %
Expenditures on fixed assets and intangible assets excluding goodwill	**493.9**	138.7	312.3	42.9	**377.6**	139.4	190.4	47.8
Acquisition of additional quotas	**2.9**	2.9	0.0	0.0	**158.8**	158.8	0.0	0.0
Acquisition of, and investments in, non-current financial assets	**53.0**	53.0	0.0	0.0	**62.4**	5.3	27.8	29.3
Total capital expenditures	**549.8**	194.6	312.3	42.9	**598.8**	303.5	218.2	77.1
Employees	**18,642**	10,043	3,903	4,696	**19,575**	10,885	3,966	4,724

Segment reporting

Reconciliation of segment assets and liabilities

€ million	29.02.2008	28.02.2007
Total assets	**7,917.4**	**7,931.9**
./. Shares in associated companies	–64.1	–69.1
./. Other investments and loans	–115.1	–132.0
./. Securities (non-current)	–19.5	–27.9
./. Securities (current)	–157.8	–108.4
./. Cash and cash equivalents	–216.6	–830.3
./. Deferred tax assets	–60.1	–30.4
./. Current income tax receivables	–16.5	–59.3
Segment assets	**7,267.7**	**6,674.4**
Total liabilities	**7,917.4**	**7,931.9**
./. Shareholders' equity	–3,299.5	–3,361.9
./. Financial liabilities	–1,901.6	–1,777.6
./. Deferred tax liabilities	–165.2	–249.4
./. Current income tax liabilities	–18.7	–27.1
Segment liabilities	**2,532.5**	**2,515.9**

2. Geographic segments

€ million	2007/08	2006/07
Third-party revenues		
Germany	1,791.0	1,687.1
Other EU 27	3,546.9	3,604.1
Other countries	441.7	473.7
	5,779.6	**5,764.9**
Segment assets		
EU 27	6,748.2	6,182.5
Other countries	519.5	491.9
	7,267.7	**6,674.4**
Expenditures on fixed assets and intangible assets (excluding goodwill or additional quota)		
EU 27	453.7	319.0
Other countries	40.2	58.6
	493.9	**377.6**

General

(1) Principles of preparation of the consolidated financial statements

The consolidated financial statements of Südzucker AG for 2007/08 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London as to be applied in the EU, as well as in accordance with statutory commercial requirements as set out in § 315a para. 1 of the German Commercial Code (HGB). The financial statements include the income statement, cash flow statement, balance sheet and statement of changes in shareholders' equity. The notes to the financial statements also include segment information. 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 income statement has been classified using the nature of expense method. The consolidated financial statements have been prepared in euros and, unless otherwise indicated, all amounts are disclosed in millions of euros (€ X.X million).

Those standards to be applied for the first time this year being IFRS 7 (Financial instruments: Disclosures) as well as the revisions to IAS 1 (Presentation of financial statements: disclosures on equity) have resulted in more extensive disclosures on financial assets and liabilities and/or the components of equity. The first-time adoption of IFRS 8 (Operating Segments) starting in the 2009/10 financial year will not lead to any changes in segment reporting. The interpretations IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies), IFRIC 8 (Scope of IFRS 2) and IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions) for which adoption is mandatory as of this year related to issues that do not affect the Südzucker Group. The first-time adoption of IFRIC 9 (Reassessment of Embedded Derivatives) as well as IFRIC 10 (Interim Financial Reporting and Impairment) had no effect on accounting and financial reporting.

(2) Companies included in consolidation

In addition to Südzucker AG, all domestic and foreign subsidiaries in which Südzucker AG has direct or indirect financial control are fully consolidated in the consolidated financial statements. 177 (179) companies were included in the consolidated financial statements for the year ended February 29, 2008. 5 companies have been included in the consolidated financial statements for the first time. 4 companies were merged in 2007/08 and 3 companies are no longer part of the Group.

AGRANA Bulgaria AD, Sofia, Bulgaria was fully consolidated for the first time at the start of the financial year. The company is used to consolidate and expand selling activities for sugar and starch in Bulgaria.

The first-time full consolidation of the companies AHG Agrar Holding GmbH, Ochsenfurt, Südprojekt Silo und Logistik GmbH & Co. KG, Mannheim, Südzucker Holding GmbH, Mannheim, and Zschortauer Agrar GmbH, Rackwitz, is due to restructurings within the Group.

The company 1829 Victor Fauconnier S.A., Marconne/France, which was used to consolidate the consumer business (alcoholic beverage bottling) of the Ryssen Group, a wholly-owned subsidiary of the Saint Louis Sucre S.A., was sold at the end of March 2007. Lady Cake – Feine Kuchen GmbH, Nuremberg, a company specializing in the production of baked goods, was also disposed of towards the end of the 2007/08 financial year. The gains on the sales are included under other operating income. In connection with the reorganization of the Saint Louis Sucre Group under company law, the entity Financière Franklin Roosevelt S.A.S., Paris was no longer needed and was consequently liquidated.

The Fruit segment companies were included in the consolidated financial statements for 2006/07 for 14 months to allow for the realignment of their financial year with the financial year of Südzucker AG. For this reason, the prior year numbers for the Fruit segment include the months from January 2006 through February of 2007, while the current reporting period includes the months from March 2007 through February of 2008.

The effects on the consolidated financial statements of the change in companies consolidated are as follows:

€ million	De-consolidated companies	First-time companies	First-time companies
28/29 February	**2008**	**2008**	2007
Non-current assets	-2.1	3.6	22.8
Inventories	*-7.1*	*0.0*	*13.0*
Receivables and other assets	*-10.9*	*0.4*	*21.3*
Cash and cash equivalents and securities	*-2.3*	*1.1*	*15.6*
Current assets	-20.3	1.5	49.9
Total assets	**-22.4**	**5.1**	**72.7**
Shareholders' equity	-3.9	2.5	21.2
Non-current liabilities	-0.7	1.5	18.6
Current liablilities	-17.8	1.1	32.9
Total liabilities and equity	**-22.4**	**5.1**	**72.7**
Revenues	0.0	22.6	93.1
Net earnings (loss) for the year	0.0	-0.9	2.4

Prior year's effects of de-consolidations were insignificant.

The proportionate consolidation method is now used for 5 (4) joint ventures. Starting from the beginning of the financial year, Studen-Agrana Rafinerija secera d.o.o., Brčko, Bosnia-Herzegovina was included in the consolidated financial statements for the first time and accounted for using proportionate consolidation. Studen-Agrana d.o.o., Brčko is a joint venture formed for the purpose of constructing and operating a raw sugar refinery in Bosnia-Herzegovina.

€ million	Proportionately consolidated companies	
28/29 February	**2008**	2007
Non-current assets	113.2	47.4
Inventories	*33.4*	*17.5*
Receivables and other assets	*22.0*	*16.6*
Cash and cash equivalents and securities	*1.0*	*0.9*
Current assets	56.4	35.0
Total assets	**169.6**	**82.4**
Shareholders' equity	60.1	42.4
Non-current liabilities	21.1	1.0
Current liablilities	88.4	39.0
Total liabilities and equity	**169.6**	**82.4**
Revenues	107.6	72.8
Net earnings (loss) for the year	7.6	16.3

The equity method was used for 8 (8) companies.

Maxi S.R.L., Bolzano/Italy was included in the consolidated financial statements for the first time and accounted for using the equity method. Maxi S.R.L. is consolidating and expanding sugar segment sales activities in Italy. Effective October 1, 2007, Saint Louis Sucre S.A. Paris/France disposed of its 50 % equity investment in Sucreries de Bourgogne S.A./Aiserey, France. The interest was taken over by Cristal Union, Villette-sur-Aube/France. Until that time, the equity investment had been accounted for using the equity method.

€ million	Companies included at equity	
28/29 February	**2008**	2007
Non-current assets	5.8	57.2
Inventories	*22.9*	*99.0*
Receivables and other assets	*209.7*	*204.0*
Cash and cash equivalents and securities	*26.9*	*3.3*
Current assets	259.5	306.3
Total assets	**265.3**	**363.5**
Shareholders' equity	111.3	154.8
Non-current liabilities	0.6	2.1
Current liabilities	153.4	206.6
Total liabilities and equity	**265.3**	**363.5**
Revenues	308.9	262.2
Income from associated companies	23.4	0.7

(3) Consolidation methods

The equity consolidation has been made using the purchase method, by which acquisition cost is set off against the relevant share of the subsidiary company's equity at the time of acquisition. Any difference has been allocated to assets insofar as their fair values differed from carrying values at that time. Any remaining difference (goodwill) is initially included in intangible assets. As set out in IFRS 3 (Business Combinations), goodwill is not subject to annual amortization over its useful life, but is subject to an impairment test at least annually (impairment-only approach). Investments in associated companies are included in the consolidated financial statements using the equity method as from their date of acquisition or when IAS 28 (Investments in Associates) is to be applied. Upon acquisition of additional shares in fully-consolidated subsidiaries, any resulting goodwill arising for each block of shares acquired is also recognized in intangible assets. Negative goodwill arising from initial consolidation and from the acquisition of additional shares are recorded as financial income in the income statement. This amounted to € 0.0 million (€ 0.1 million) in 2007/08. Gains and losses arising from issuing new shares in subsidiaries to third parties and which reduce the group's percentage holding (dilution gains and losses) are recorded in the income statement within other operating income or expense.

Intercompany revenues, expenses and income and all receivables, liabilities and provisions between consolidated entities have been eliminated. Intercompany profits included in non-current assets and inventories and arising from intercompany transfers are eliminated

(4) Foreign currency translation

As set out in IAS 21 (The Effects of Changes in Foreign Exchange Rates), the financial statements of group companies have been translated directly from local currency into the reporting currency (€), as the foreign entities carry out their financial, operating and organizational activities autonomously (the functional currency concept). Hence, non-current assets, other assets and liabilities have been translated using mid-market rates ruling at the end of the year (year-end rates). Income and expense items have been translated at average rates for the year.

Movements in exchange rates of the significant currencies used in preparing the consolidated financial statements were as follows (conversion rates to € 1):

		Year-end rate		Average rate	
Country	1 € =	Local currency			
		29.02.2008	28.02.2007	**2007/08**	2006/07
Australia	AUD	1.6226	1.6761	1.6317	1.6755
Brazil	BRL	2.5496	2.8024	2.6342	2.7510
Chile	CLP	697.3500	713.0400	713.9396	679.0174
Denmark	DKK	7.4515	7.4527	7.4505	7.4577
Great Britain	GBP	0.7652	0.6736	0.6985	0.6787
Mexico	MXN	16.2363	14.7416	15.2539	13.9831
Moldova	MDL	16.8885	16.9149	16.5568	16.7112
Poland	PLN	3.5305	3.9181	3.7342	3.9092
Romania	RON	3.7330	3.3975	3.3858	3.4902
Russia	RUB	36.4511	34.5260	35.2955	34.1789
Singapore	SGD	2.1162	2.0186	2.0789	2.0009
Slovakia	SKK	32.5300	34.4400	33.5576	36.7447
Czech Republic	CZK	25.2280	28.2950	27.3710	28.2479
Turkey	TRY	1.8183	1.8715	1.7712	1.8470
Ukraine	UAH	7.6593	6.6716	7.0633	6.4219
Hungary	HUF	264.1500	254.7000	252.2410	264.5457
USA	USD	1.5167	1.3211	1.3989	1.2726

Differences arising from translating assets and liabilities at year-end rates compared with rates ruling at the end of the previous year, together with differences between earnings for the year translated at average rates in the income statement and at year-end rates in the balance sheet, are charged or credited directly to reserves. The effect in 2007/08 was to increase fixed assets by € 7.9 million and shareholders' equity by € 17.9 million, primarily due to the exchange rate gains of the Chilean peso and the Polish zloty (year-end rates).

Foreign currency receivables and liabilities included in the financial statements of consolidated companies have been translated at year-end rates, with any resulting unrealized gains and losses recorded in the income statement.

(5) Accounting policies

Acquired goodwill amounts are recognized on the balance sheet as part of intangible assets. Intangible assets acquired in business combinations are stated separately from goodwill if, as defined in IAS 38 (Intangible assets), they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Other acquired intangible assets are included at acquisition cost less scheduled, straight-line amortization over their expected useful lives. Internally-generated intangible assets are recognized to the extent the recognition criteria set out in IAS 38 are met.

Goodwill and intangible assets with indefinite useful lives are not amortized, but are subject to an impairment test at least annually. The procedure adopted in carrying out this impairment test is described more fully in the notes on balance sheet items below.

Items of fixed assets are stated at acquisition or production cost less straight-line depreciation and impairment write-downs, where applicable. Items of fixed assets are depreciated pro rata temporis in the year of their acquisition. State subsidies and grants are deducted from acquisition cost. Production cost of internally-constructed equipment includes directly attributable costs and a proportion of material and production overheads. Third-party borrowing costs are not included in acquisition or production cost. Maintenance expenses are recorded in the income statement when they are incurred. Assets are only recognized when the general recognition criteria of expectation of future economic benefits and reliability of the related cost are met.

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

Intangible assets	2 to 9 years
Buildings	15 to 50 years
Technical equipment and machinery	6 to 30 years
Other equipment, factory and office equipment	3 to 15 years

Impairment write-downs of fixed assets and intangible assets with limited useful lives are charged as set out in IAS 36 (Impairment of Assets) when the recoverable amount of an asset falls below its carrying amount. The recoverable amount is the higher of fair value less costs to sell and the present value of expected cash flows from use of the asset (value in use). Non-current assets held for sale are measured at the lower of their carrying value and their fair value less costs to sell.

Shares in associated companies are initially stated at acquisition cost and, in accordance with the equity method, are subsequently recorded at adjusted acquisition cost, which increases or decreases annually by the investor's share of earnings or losses, dividend distributions and other changes in shareholders' equity. Goodwill is included in the carrying amount of the shares in associates and is subject to an annual impairment test as set out in IAS 36 (Impairment of Assets). Those investments are measured using the equity method over which the investor has the power to exercise significant influence as a result of ownership of between 20 and 50 % of the voting rights.

Non-current securities as well as other investments are treated as being available for sale and are recognized at market value and/or amortized cost. Any unrealized gains and losses are credited or charged direct to fair value reserve in shareholders' equity, net of any deferred taxes. Impairments are recorded directly in the income statement. Purchases and sales of securities are initially recorded at settlement date. Loans are measured at amortized cost.

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method for raw materials, as this represents actual usage. Production cost includes all production-related costs determined assuming normal levels of production capacity. Production cost includes directly attributable costs, fixed and variable production overheads including depreciation of production machinery. Write-downs are made to net realisable value where necessary.

Receivables and other assets are stated at market value at the time of initial recognition and subsequently at nominal value less allowances. Adequate individual allowances are made for bad debts and other risks in receivables. Nominal value less allowances is the same as fair value.

Current securities held for trading are recognized at market value; gains and losses as of the reporting date are recognized in the income statement. All other current securities are classified as securities available for sale. They are also recognized at market value. Until realized, any resulting unrealized gains and losses are credited or charged direct to fair value reserve in shareholders' equity, net of deferred taxes.

Cash and cash equivalents are included at nominal value, which regularly corresponds to their market value.

Except for goodwill and equity instruments classified as available for sale, reversals of impairment losses of items included in non-current assets and current assets are recorded when the reason for charging the original impairment loss no longer exists.

Emission rights are recognized in accordance with IAS 38 (Intangible Assets), IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). Emission certificates issued for each calendar year are intangible assets as defined by IAS 38 (Intangible Assets), to be classified as current assets. They are initially measured at an acquisition cost of zero. If actual emissions exceed the certificates allocated, a provision for CO_2 emissions is recognized. The provision is measured reflecting the acquisition cost of additional certificates or the market value of emission certificates at the balance sheet date.

Provisions for pensions and similar obligations are included as set out in IAS 19 (Employee Benefits). Actuarial reports have been prepared for this purpose. Actuarial gains and losses arising from unexpected changes in the amount of the defined benefit obligation and from changes in actuarial assumptions, and which lie within a corridor of 10 % of the defined benefit obligation, are not recognized. Such actuarial gains and losses are only recognized over the expected average remaining working lives of the pension plan beneficiaries to the extent they exceed this corridor.

Other provisions are recognized if there is a present obligation arising from a past event, the probability that there will be an outflow of resources to meet these obligations is more likely than not and the amount can be reliably estimated. This means that the probability of occurrence must be greater than 50 %. Measurement is made based on the amount most likely to be incurred or, if no amount is more likely than any other, the expected amount to be paid. Provisions are only recognized for legal and constructive obligations to third parties. Non-current provisions with a remaining term of more than one year are discounted to their present value at the balance sheet date. Provisions are released to the item of expense in the income statement in which they were recognized.

Deferred taxes are recognized on temporary differences between the values of assets and liabilities in the IFRS balance sheet and the tax balance sheet, as well as on tax loss carry forwards, to the extent they can be offset against future taxable income. Deferred tax assets and deferred tax liabilities are recognized separately on the face of the balance sheet. Deferred tax assets have been offset against deferred tax liabilities to the extent the related taxes on income are imposed by the same tax authorities. Deferred taxes are measured as set out in IAS 12 (Income Taxes) based on the appropriate local corporate income tax rate.

Non-current liabilities are measured at amortized acquisition cost. Differences between acquisition cost and repayment amount are amortized using the effective interest method. Liabilities from finance lease contracts are measured at their present value. Current liabilities are stated at market value at the time of initial recognition and are subsequently carried at amortized cost.

Financial liabilities for bonds issued are shown net of their issue discount and transaction costs. The discount is amortized using the effective interest method. We refer to notes (31) and (32) for details of the recognition and measurement of financial instruments.

Revenues from the sale of products and goods are recognized when the delivery or service has been rendered and significant opportunities and risks have been transferred. Rebates and price reductions are also included at the time revenues are recognized.

Development costs for new products are recognized at production cost to the extent a clear allocation of expenses is possible and to the extent the technical feasibility and marketability of these newly-developed products is demonstrated. Product development must also generate probable future economic benefits. Expenditure on research may not be recognized as set out in IAS 38 and is recognized as an expense when it is incurred.

All accounting policy-related estimates and assessments are constantly reviewed, are based on past experience and on expectations of the occurrence of future events to the extent it is considered reasonable to do so.

Notes to the income statement

(6) Revenues

Revenues are detailed in the note on segment reporting.

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

€ million	2007/08	2006/07
Change in work in progress and finished goods inventories	127.1	66.9
Internal costs capitalized	8.1	8.9
	135.2	**75.8**

(8) Other operating income

€ million	2007/08	2006/07
Income from special items	141.5	179.4
Gain on sales of current and non-current assets	15.0	18.1
Foreign exchange and currency translation gains	4.0	0.0
Other income	96.7	75.6
	257.2	**273.1**

Income from special items mainly comprises income from claims to restructuring assistance, less the disposal amount in connection with the surrender of quotas related to sugar quotas acquired in previous years. In addition, this item includes special gains from the sale of the consumer business (bottling operations) of the Ryssen Group. In the prior year, income from special items included income from the reduction of our shareholding in CropEnergies AG as well as the income from the sale of the inulin fructose quota to the restructuring fund.

(9) Cost of materials

€ million	2007/08	2006/07
Cost of raw materials, consumables and supplies and of purchased merchandise	3,259.4	3,126.4
Cost of purchased services	243.4	224.4
	3,502.8	**3,350.8**

(10) Personnel expenses

€ million	2007/08	2006/07
Wages and salaries	530.0	550.0
Social security, pension and welfare expenses	178.1	158.2
	708.1	**708.2**

Average number of employees during the year

By segment	2007/08	2006/07
Sugar	10,043	10,885
Special products	3,903	3,966
Fruit	4,696	4,724
	18,642	**19,575**

By geographic area	2007/08	2006/07
Germany	4,095	4,167
Other EU-27	10,315	10,895
Eastern Europe	2,054	1,842
Other countries	2,178	2,671
	18,642	**19,575**

The average number of employees in the Group for the 2007/08 financial year showed a year-on year decline to 18,642 (from 19,575). The drop of 842 employees in the Sugar segment is the result of plant closings and cost reduction measures.

In the Special products segment, the number of employees fell by 63. This is the result of cost-reduction measures at BENEO in Chile. This contrasts with higher employment in the bioethanol companies.

(11) Depreciation

€ million	2007/08	2006/07
Intangible assets	34.9	34.8
Fixed assets	219.1	225.1
Depreciation and amortization	**254.0**	**259.9**
Intangible assets	9.4	20.4
Fixed assets	45.2	68.7
Impairment losses	**54.6**	**89.1**
Income from reversals of impairment losses	**-13.1**	**-0.6**
	295.5	**348.4**

The impairment losses on fixed assets in the amount of € 45.2 million (€ 68.7 million) mainly related to the closing of sugar plants in Groß-Gerau, Regensburg, Brugelette/Belgium, Guignicourt/France, Petőháza/Hungary, as well as Chybie and Lubna, both Poland and also of the Fruit sugar processing plant of AGRANA Fruit Bohemia s.r.o. in Kaplice/Czech Republic. The income from write-ups is related to the deferral of the decision on closing down cane sugar refining in Marseille/France.

(12) Goodwill impairment loss

€ million	2007/08	2006/07
Goodwill impairment losses	**0.0**	**580.4**

In the 2006/07 financial year, the expected sugar quota reductions had to be accounted for by recognizing good will impairment losses in the amount of € 580.4 million.

(13) Other operating expenses

€ million	2007/08	2006/07
Restructuring fund levy	618.1	512.9
Selling and advertising expenses	339.0	343.8
Operating and administrative expenses	205.1	196.4
Expenses due to restructuring costs and special items	99.5	39.0
Leasing and rental expenses	35.2	35.0
Production levy	32.2	0.0
Losses on disposals of current and non-current assets	28.7	6.6
Foreign exchange and currency translation losses	8.2	3.3
Other expenses	110.2	117.8
	1,476.3	**1,254.8**

The increase in other operating expenses by € 221.5 million to € 1,476.3 million (€ 1,254.8 million) resulted mainly from the production levy of € 32.2 million, which was once again payable, as well as the contributions to the restructuring fund of € 618.1 million (€ 512.9 million) at a higher contribution rate of € 174/tonne compared to € 126/tonne in the prior year.

The restructuring expenses and expenses for special items in the amount of € 99.5 million (€ 39.0 million) were mainly incurred for restoration obligations in connection with the closing of the plants in Groß-Gerau, Regensburg, Brugelette (Belgium), Guignicourt (France), Petöháza (Hungary), as well as Chybie and Lubna (Poland), the closing of the fruit sugar processing plant of AGRANA Fruit Bohemia s.r.o. in Kaplice, Czech Republic, and finally the concept for the optimization of packaging stations in France.

(14) Income (loss) from operations

€ million	**2007/08**	2006/07
Income (loss) from operations	**189.3**	**–128.9**
of which operating profit before restructuring costs and special items	233.1	419.4
of which restructuring costs and special items	-43.8	32.1
of which goodwill impairment loss	0.0	-580.4

Income from operations of € 189.3 million (€ -128.9 million) for the 2007/08 financial year breaks down into an operating profit of € 233.1 million (€ 419.4 million) plus the results of restructuring and special items equal to, in aggregate, € -43.8 million (€ 32.1 million), which is characterized by the capacity reduction in the Sugar segment. In the prior year, we had to account for the expected quota reductions as impairment losses equal to € 580.4 million.

Of the total for restructuring and special items in the amount of € -43.8 (32.1) million, € -20.3 (-108,7) million are attributable to the Sugar segment. The Südzucker Group participated in what was termed the 1st wave of voluntary quota returns with quota returns of 0.6 million tons. In return, we received restructuring assistance from the restructuring fund of close to € 305.0 million, which was offset by close to equal expenses in relation to the disposal of previously acquired sugar quotas as well as costs arising from plant closings. The capacity reduction that became necessary upon the quota returns resulted in the closure of the plants in Groß-Gerau, Regensburg, Brugelette/Belgium, Guignicourt/France, Petöháza/Hungary, as well as in Chybie and Lubna, both Poland. The expenses cover termination benefits and restoration obligations as well as impairment losses on fixed assets. In the prior year, the Sugar segment incurred significant charges for impairment losses as a result of the required reduction of production capacities and on sugar quotas.

To improve cost structures, it was decided to expand the part-time early retirement program at Südzucker AG, to add an additional early retirement arrangement in Belgium as well as termination benefits in connection with the relocation of the head offices of Saint Louis Sucre S.A., France. In addition, a concept for optimizing the packaging is being implemented in France. Since it was agreed to defer the decision on the closure of cane sugar refining in Marseille, the restructuring provisions and the impairment losses recognized for that location have been reversed again.

In the Special products segment, the effect of restructurings and special items totaled € -18.9 million (€ 140.8 million) and are related to start-up expenses for bioethanol facilities in Belgium and Austria as well as the gains on the sale of the consumer business (bottling operations) of the Ryssen Group. In the prior year, these categories included costs for the closure of inulin fructose production at the Oreye locations as well as proceeds contributed by the sale of the inulin quota to the restructuring fund and the public offering of CropEnergies AG.

In the Fruit segment, restructuring items of € -4.6 million (€ 0.0 million) reflect the costs for the closure of the plant of AGRANA Fruit Bohemia s.r.o. in Kaplice/Czech Republic.

(15) Income from associated companies

€ million	2007/08	2006/07
Income from associated companies	**23.4**	**0.7**

The income from associated companies in the 2007/08 financial rose to € 23.4 million (€ 0.7 million) and primarily represents the prorated profits of Eastern Sugar B.V. Following the 2006 campaign, the companies in Eastern Sugar discontinued sugar production and returned their sugar quotas to the restructuring fund. In addition to the income from the winding down of operations, Eastern Sugar recognized income from a compensation payment under arbitration proceedings. In the prior year, income was negatively affected by a loss on the investments in Sucreries de Bourgogne S.A., Aiserey France; these investments were sold in the 2007/08 financial year.

(16) Financial income and expense

€ million	2007/08	2006/07
Interest income	29.2	30.2
Other financial income	20.4	17.6
Financial income	**49.6**	**47.8**
Interest expense	-126.1	-116.7
Other financial expense	-16.2	-30.1
Financial expense	**-142.3**	**-146.8**
Financial expense, net	**-92.7**	**-99.0**

Net financial expense improved year-one year by € 6.3 million to € -92.7 million (€ -99.0 million). The increase in interest expense due to higher interest rate and greater average indebtedness could be more than offset by market price gains on the sale of securities as well as the rise in income from investments. Interest expense on pensions and similar obligations totaled € 20.3 million (€ 20.1 million). The decrease in other financial expenses resulted from the closing out of interest rate cap transactions that had been included in the prior year.

(17) Taxes on income

The tax expense projected for the past 2007/2008 financial year is calculated by applying the German corporate income tax rate of 15.0 % plus the solidarity surcharge of 5.5 % as well as municipal trade tax on income. The 2008 Income Tax Reform Act reduced the total tax burden on German corporations from previously 38 % to 29 %. The remeasurement of domestic deferred tax items occasioned by this change resulted in one-time tax income of € 14.6 million.

€ million	**2007/08**	2006/07
Earnings (loss) before taxes on income	120.0	-227.2
Theoretical tax rate	29.1 %	37.9 %
Theoretical tax expense (credit)(+)/–income (–)	**35.0**	**–86.0**
Change in theoretical tax expense as a result of:		
Different tax rates	-4.6	-27.1
Tax reduction for tax-free income	-33.8	-125.7
Tax increase for non-deductible expenses	19.9	255.6
Other	3.8	2.1
Taxes on income	**20.3**	**18.8**
Effective tax rate	**16.9 %**	**–**

The reduction in tax charge included € 4.6 million (€ 27.1 million) as a result of profits earned by foreign subsidiaries in countries with lower income tax rates. Prior year's tax increases due to non-deductible expenses mainly related to goodwill impairment losses.

The tax expense of € 20.3 million (€ 18.8 million) is made up of current taxes paid or payable of € 130.8 million (€ 70.0 million) and € 110.5 million (€ 51.2 million) deferred tax income. Deferred tax assets of € 152.3 million (€ 110.2 million) were recognized for tax loss carried forwards that are expected to be used against future taxable income.

No deferred tax liabilities were recognized in relation to shares in subsidiaries, since such gains are intended to be reinvested for an indeterminate period and a reversal of these differences is thus not anticipated.

Deferred tax assets and liabilities recognized directly in shareholders' equity amounted to € 3.4 million (€ 3.6 million) at February 29, 2008.

Deferred tax assets and liabilities relate to temporary differences in the following items on the balance sheet:

€ million	Deferred tax assets		Deferred tax liabilities	
28/29 February	2008	2007	2008	2007
Fixed assets and intangible assets	95.9	29.2	171.9	200.8
Inventories	4.9	2.7	105.7	132.4
Other assets	40.8	46.9	32.5	1.0
Tax-free reserves	0.0	0.0	29.8	27.4
Provisions	35.9	29.0	67.1	67.4
Liabilities	4.1	4.4	32.0	12.4
Tax loss carry forwards	152.3	110.2	0.0	0.0
	333.9	**222.4**	**439.0**	**441.4**
Offsets	-273.8	-192.0	-273.8	-192.0
Balance sheet	**60.1**	**30.4**	**165.2**	**249.4**

(18) Research and development expenses

The main thrust of Südzucker Group's research and development activities is in developing new products and product variances, optimizing production processes and supporting marketing and business development activities. The range of work covers agricultural production, developments relating to sugar, sugar substitutes and their end-products, through to applications in the food and non-food areas. Research and development work is carried out by some 391 (390) staff. Research and development expenses amounted to € 36.3 million (€ 39.5 million).

(19) Earnings (loss) per share

€ million	**2007/08**	2006/07
Net earnings (loss) for the year	99.7	-246.0
of which attributable to hybrid capital	26.2	22.8
of which attributable to other minority interest	54.0	57.8
of which attributable to shareholders of Südzucker AG	19.5	-326.6
Earnings in € per share undiluted/diluted	**0.10**	**-1.72**

Of the group earnings/loss for the year of € 99.7 million (€ -246.0 million), earnings of € 26.2 million (€ 22.8 million) is attributable to holders of the hybrid capital. Other minority interest, consisting mainly of minority shareholders of AGRANA Group, have a share of earnings of € 54.0 million (€ 57.8 million). Earnings for the year of € 19.5 million (loss of € -326.6 million) is thus attributable to shareholders of Südzucker AG. Based on a weighted average number of 189.4 million shares outstanding of in 2007/08, earnings per share calculated in accordance with IAS 33 (Earnings per Share) were € 0.10 per share.

(20) Cash flow statement

The cash flow statement, prepared in accordance with requirements set out in IAS 7 (Cash Flow Statements), shows the change in cash and cash equivalents of the Südzucker Group from the three areas of operating, investing and financing activities.

Gross cash flow from operating activities in 2007/08 amounted to € 498.0 million (€ 554.0 million). Income taxes paid were € 49.7 million (€ 58.4 million) and have been allocated to operating activities. Interest payments amounted to € 104.1 million (€ 97.1 million) and interest receipts were € 28.8 million (€ 30.3 million). Capital expenditures of € 496.8 million (€ 536.4 million) for fixed assets (including intangible assets) and additional quotas were particularly used for expanding the special products segment in the bioethanol area. Expenditures for non-current financial assets of € 53.0 million (€ 62.4 million) mostly related to the increase in our holdings in the sugar plants in Eastern Poland and Silesia, as well as the 50 % shareholding in Maxi S.R.L., Bolzano/Italy, in which the sales activities in the Sugar segment for Italy are being consolidated and expanded.

Dividends from associated companies and other investments amounted to € 37.0 million (€ 6.3 million). Profit distributions throughout the group totalled € 161.5 million (€ 162.8 million) and included € 104.1 million (€ 104.1 million) paid out to Südzucker AG's shareholders and € 57.4 million (€ 58.7 million) dividend distributions to minority interest.

Notes to the balance sheet

(21) Intangible assets

2007/08 € million	Goodwill	Concessions, industrial and similar rights	Total
Acquisition costs			
1 March 2007	1,698.4	374.4	2,072.8
Change in companies incl. in the consolidation/ currency translation/other changes	-5.2	1.6	-3.6
Additions	0.0	21.2	21.2
Transfers	0.0	0.7	0.7
Disposals	0.0	-227.7	-227.7
29 February 2008	1,693.2	170.2	1,863.4
Amortization and impairment losses			
1 March 2007	-588.9	-143.6	-732.5
Change in companies incl. in the consolidation/ currency translation/other changes	0.1	-1.1	-1.0
Amortization for the year	0.0	-34.9	-34.9
Impairment losses	0.0	-9.4	-9.4
Transfers	0.0	0.0	0.0
Disposals	0.0	76.8	76.8
29 February 2008	-588.8	-112.2	-701.0
Net carrying amount as at 29 February 2008	**1,104.4**	**58.0**	**1,162.4**

2006/07 € million	Goodwill	Concessions, industrial and similar rights	Total
Acquisition costs			
1 March 2006	1,754.9	138.8	1,893.7
Change in companies incl. in the consolidation/ currency translation / other changes	15.5	-0.3	15.2
Additions	0.0	168.0	168.0
Transfers	-69.3	70.0	0.7
Disposals	-2.7	-2.1	-4.8
28 February 2007	1,698.4	374.4	2,072.8
Amortization and impairment losses			
1 March 2006	-8.5	-90.5	-99.0
Change in companies incl. in the consolidation/ currency translation / other changes	0.0	-0.1	-0.1
Amortization for the year	0.0	-34.8	-34.8
Impairment losses	-580.4	-20.4	-600.8
Transfers	0.0	0.2	0.2
Disposals	0.0	2.0	2.0
28 February 2007	-588.9	-143.6	-732.5
Net carrying amount as at 28 February 2007	**1,109.5**	**230.8**	**1,340.3**

Intangible assets consist of goodwill arising on business combinations and concessions, trademarks and similar rights.

Asset out in IFRS 3 (Business Combinations), IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), goodwill and intangible assets with indefinite useful lives are not amortized but are subject to annual impairment tests.

Goodwill

Impairment tests are to be made annually or more often if events or changed situations arise which indicate a possible impairment. The carrying value of cash generating units (CGU) is compared with their recoverable amount, being the higher of net sales price less selling expenses and value in use. An impairment loss is charged if the recoverable amount of a CGU is lower than its carrying value.

When carrying out the impairment test, goodwill should be allocated to cash generated units at segment level or below. Südzucker has determined its CGUs based on its internal reporting structure. In the Südzucker Group these consist of the sugar segment, the BENEO, bioethanol, Freiberger, PortionPack and starch divisions, and the fruit segment.

The carrying value of each cash generating unit is determined by allocating the assets and liabilities, including related goodwill and intangible assets, to the respective cash generating units.

The recoverable amount is the present value of future cash flows which can probably be generated by a cash generating unit. Value in use is determined based on a business valuation model (discounted cash flow). Future cash flows are determined based on budgets approved by the executive board and medium-term budgets for a period of 5 years at the time of carrying out the impairment test. These budgets are based on experience as well as expectations of future market developments.

The cost of capital is calculated as a weighted average cost of capital, using the proportions of debt and equity making up total liabilities and equity. The cost of equity corresponds to the return expected by investors when investing in shares. The cost of debt is based on market conditions for loans and bonds. In August of 2007, the pre-tax discount factor calculated from the weighted average cost of capital of the Südzucker Group was 9.3 % (compared to 8.5 % in August of 2006 and 9.1 % in February of 2007).

We have assumed a growth rate to perpetuity after the five-year budget period of 1.5 % (1.5 %) for the CGUs those with growth rates. Growth rates are based on experience and expectations of future developments.

The components of goodwill are as follows:

€ million	28/29 February	**2008**	2007
Sugar		752.6	748.7
Special products		279.0	289.2
Fruit		72.8	71.6
		1,104.4	**1,109.5**

No impairment losses were recognized in 2007/08. Goodwill impairment losses of € 580.4 million were required in 2006/07. Of this amount, € 482.4 million related to the sugar segment and € 98.0 million to the special products segment.

Concessions, trademarks and similar rights

The purchased sugar quotas reported under concessions, trademarks and similar rights were derecognized in the 2007/08 financial year as part of the return of quotas. By the time they were derecognized, 2/9th of the sugar quotas purchased in 2006/07 had been amortized on a straight-line basis. The remaining line item mainly covers IT software, trademarks, customer bases, concessions and similar rights with a limited useful life.

(22) Fixed assets

2007/08 € million	Land, land rights and buildings, including buildings on leased land	Technical equip-ment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition costs					
1 March 2007	1,582.8	3,965.4	338.9	128.8	6,015.9
Change in companies incl. in the consolidation/ currency translation/other changes	8.4	-8.5	-2.4	-3.1	-5.6
Additions	41.4	190.2	30.2	213.9	475.7
Transfers	13.2	76.1	-0.3	-89.7	-0.7
Disposals	-39.6	-80.6	-22.4	-13.5	-156.1
29 February 2008	1,606.2	4,142.6	344.0	236.4	6,329.3
Depreciation and impairment write-downs					
1 March 2007	-729.9	-2,692.1	-249.1	-1.4	-3,672.5
Change in companies incl. in the consolidation/ currency translation/other changes	-2.7	6.0	2.2	0.0	5.5
Depreciation for the year	-41.0	-152.5	-25.6	0.0	-219.1
Impairment losses	-25.0	-20.2	0.0	0.0	-45.2
Transfers	0.3	-1.3	1.0	0.0	0.0
Disposals	33.0	74.6	18.5	0.7	126.7
Write-ups	3.8	9.3	0.0	0.0	13.1
29 February 2008	-761.5	-2,776.2	-253.0	-0.7	-3,791.4
Net book value at 29 February 2008	**844.7**	**1,366.4**	**91.0**	**235.7**	**2,537.9**

2006/07 € million	Land, land rights and buildings, including buildings on leased land	Technical equip-ment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition costs					
1 March 2006	1,513.1	3,709.8	332.0	226.3	5,781.2
Change in companies incl. in the consolidation/ currency translation/other changes	-1.5	2.8	1.8	-33.4	-30.3
Additions	62.6	134.4	26.1	145.3	368.4
Transfers	35.1	169.8	-0.5	-205.0	-0.6
Disposals	-26.5	-51.4	-20.5	-4.4	-102.8
28 February 2007	1,582.8	3,965.4	338.9	128.8	6,015.9
Depreciation and impairment losses					
1 March 2006	-700.0	-2,516.8	-242.8	-2.2	-3,461.8
Change in companies incl. in the consolidation/ currency translation/other changes	1.5	-3.3	-0.9	0.0	-2.7
Depreciation for the year	-42.9	-156.2	-26.0	0.0	-225.1
Impairment losses	-8.7	-59.9	-0.1	0.0	-68.7
Transfers	-0.2	-2.5	2.5	0.0	-0.2
Disposals	20.3	46.3	18.2	0.8	85.6
Write-ups	0.1	0.4	0.0	0.0	0.5
28 February 2007	-729.9	-2,692.1	-249.1	-1.4	-3,672.4
Net carrying amount as at 28 February 2007	**852.9**	**1,273.4**	**89.9**	**127.4**	**2,343.5**

The carrying value of fixed assets increased from € 2,343.5 million to € 2,537.9 million. The changes due to foreign currency differences are mainly due to exchange rate gains of the Polish zloty and the Chilean peso (year-end rate), leading to a an increase of € 7.9 million in fixed assets; in 2006/07, the rise of the Chilean peso and the strengthening of certain Eastern European currencies increased fixed assets by € 36.1 million.

At € 475.7 million (€ 368.4 million), additions were about € 107.3 million significantly higher than last year's level, which was principally the result of investments in the bioethanol sector in Belgium and Austria as well as the expansion of the existing bioethanol plant in Zeitz. In the Sugar segment, investments remained close to last year's level while the Fruit segment saw a year-on-year decrease.

Deductions in carrying value (disposals at acquisition cost less depreciation and impairment losses) of € 29.4 million (€ 17.2 million) relate to disposals of items of fixed assets from sugar factories which had been closed in the past year and previous years in addition to regular disposals of items in fixed assets whose useful lives had expired.

Impairment losses in the amount of € 45.2 million (€ 68.7 million) were mainly related to technical equipment and machinery, which has been restated at its expected net realizable value due to the extensive reduction of sugar production capacities in connection with the return of quotas; the remaining carrying amount of these assets held for sale is € 37.9 million.

In the prior year, impairment losses on fixed assets were mainly recognized for the closure of the sugar factory in Lubna/Poland, the closure of the cane sugar refinery at Marseilles/France (which had been decided at that time) as well as technical plant and machinery, which was recognized at its expected net realizable value in the wake of the reduction of sugar production capacities. The closure of the technical plant for inulin fructose production at the Oreye location in Belgium, for which there was no further use, resulted in additional impairment losses that were recognized as expenses.

In the 2007/08 financial year, it was decided to defer the decision to close the cane sugar refinery in Marseille/France that had been made in the prior year. Reversals of impairment losses rose accordingly to € 13.1 million (€ 0.5 million).

(23) Shares in associated companies, other investments, securities and loans

2007/08 € million	Shares in associated companies	Securities	Other investments and loans
1 March 2007	69.1	27.9	132.0
Change in companies incl. in the consolidation/ currency translation/other changes	-0.1	-4.8	-12.6
Additions	7.1	3.7	0.7
Share of profits	22.4	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	-34.4	-7.3	-5.0
Impairment losses	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0
29 February 2008	**64.1**	**19.5**	**115.1**

2006/07 € million	Shares in associated companies	Securities	Other investments and loans
1 March 2006	77.2	26.8	179.1
Change in companies incl. in the consolidation/ currency translation/other changes	-8.0	1.1	-41.7
Additions	0.1	1.9	3.3
Share of profits	12.2	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	-0.9	-1.9	-5.9
Impairment losses	-11.5	0.0	-2.8
Reversals of impairment losses	0.0	0.0	0.0
28 February 2007	**69.1**	**27.9**	**132.0**

(24) Inventories

€ million 28/29 February	2008	2007
Raw materials and supplies	274.1	254.4
Work in progress and finished goods		
Sugar	1,604.7	1,532.7
Special products	153.0	126.9
Fruit	138.0	87.2
Merchandise	125.9	85.3
	2,295.7	**2,086.5**

As a result of the decision by the EU Commission to implement no additional market withdrawals before lowering the reference price, Südzucker foresees no profitable use for these quotas. Sugar inventories were accordingly written down by € 102.3 million to their net selling price. Inventory write-downs to the net selling price to a total of € 5.8 million (€ 0.5 million) were required in the Special products and Fruit segments.

The increase in finished goods and merchandise in the Fruit segment resulted mainly from the build-up of the inventory of apple juice concentrate.

(25) Trade receivables and other assets

	Remaining term			Remaining term		
€ million 28/29 February	**2008**	to 1 year	over 1 year	**2007**	to 1 year	over 1 year
Trade receivables	727.1	727.1	0.0	629.7	629.7	0.0
Receivables due for restructuring assistance etc.	291.0	0.0	291.0	0.0	0.0	0.0
Receivables from export recoveries	36.5	36.5	0.0	39.1	39.1	0.0
Other taxes recoverable	108.0	108.0	0.0	108.6	108.6	0.0
Positive market value derivatives	4.4	4.4	0.0	0.0	0.0	0.0
Other assets	104.7	91.8	12.9	126.7	119.0	7.7
	1,271.7	**967.8**	**303.9**	**904.1**	**896.4**	**7.7**

The growth of trade receivables by € 97.4 million from € 629.7 million to € 727.1 million is mainly attributable to the noticeable rise in sugar sales on the Italian and Greek markets.

Receivables relating to restructuring assistance resulted from the voluntary return of quotas as part of what is termed the 1st wave, in which the Südzucker Group participated with a return of 0.6 million tons.

The carrying amount of trade receivables after allowances for impairment losses breaks down as follows:

€ thousand 28/29 February	2008	2007
Total trade receivables	746.7	643.6
Value adjustement	-19.6	-13.9
Net book value	**727.1**	**629.7**

The development of the allowance for impairment losses on trade receivables is shown below:

€ thousand	2007/08	2006/07
Value adjustements at 1 March	**13.9**	**13.7**
Change in companies incl. in the consolidation/ currency translation/other changes	-0.3	0.0
Additions	11.6	1.3
Use	-2.2	-0.3
Release	-3.4	-0.8
Value adjustements at 28/29 February	**19.6**	**13.9**

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables before the allowance for impairment losses total € 727.1 million (€ 629.7 million), while the aging structure of past-due receivables is as follows:

€ million 28/29 February	2008	2007
Receivables not past due before allowances	568.6	482.4
Past-due receivables without specific-debt allowances		
up to 10 days	73.3	44.9
11 to 30 days	34.1	28.6
31 to 90 days	29.0	58.6
> 90 days	22.1	15.2
Net carrying amount	727.1	629.7
Receivables including specific-debt allowances	19.6	13.9
Total trade receivables	**746.7**	**643.6**

(26) Shareholders' equity

The subscribed capital of Südzucker AG is divided into 189,353,608 shares, each share having an imputed proportion of the share capital of € 1.00 each.

The share capital can be conditionally increased by up to € 13,000,000. The conditional increase will only be carried out by issuing up to 13,000,000 new shares to the extent required to meet the conversion rights arising from the convertible bonds issued on December 8, 2003. The conditions for conversion arose for the first time in 2006/07. No conversion rights have been exercised to date.

The executive board is authorized in accordance with § 71 (1) no. 8 of the German Stock Corporation Act (AktG) to acquire up to 10 % of the current share capital – which is equal to 18,935,360 shares – by or before January 23, 2009. The purchase may be carried out on the stock exchange or by means of a public tender offer addressed to all shareholders.

In summer 2005 Südzucker issued a hybrid bond with a total volume of € 700 million and a 5.25 % coupon. The major features of this financial instrument are its indefinite maturity, a one-sided cancellation option by the issuer after ten years, a dividend-dependent coupon and the subordinated rights of the holders. If Südzucker does not exercise its cancellation rights, the hybrid bond will then have a floating rate coupon. Based on these characteristics, Südzucker can fully recognize the hybrid instrument as equity for IFRS purposes.

(27) Provisions for pensions and similar obligations

Pension plans within the Südzucker Group mainly consist of direct benefit plans. Pension benefits are normally granted based on years of service with the company and benefit-related remuneration.

The provisions for pensions have been calculated actuarially using the projected unit credit method and estimated future trends in accordance with IAS 19 (Employee Benefits).

The following actuarial assumptions were made in determining the defined benefit obligation and, in certain cases, related plan assets:

in %	28/29 February	**2008**	2007
Discount rate		5.5	4.5
Expected increase in remuneration		2.0	2.0
Expected increase in pension		1.8	1.4
Expected return on plan assets		5.5	4.5

Most of the fund assets are invested in fixed-interest securities, whose risk structure ensures long-term fulfilment of the related obligations.

Pension expense is made up as follows:

€ million	2007/08	2006/07
Current service cost	9.9	9.9
Interest cost	20.3	20.1
Actuarial losses (+) and gains (-) expensed	3.1	2.7
	33.3	**32.7**

There were no expenses or income arising from changes in plan benefits.

For defined contribution plans, the company pays contributions, either based on statutory or contractual requirements or on a voluntary basis, to state or private insurers. Current contributions are included as personnel expenses in the income statement and amounted to € 44.4 million (€ 49.9 million) for the group. The company has no further obligation after paying the contributions.

Interest cost and expected returns on plan assets have been included in interest expense in the income statement. Service cost and actuarial gains and losses recognized in expense are included under personnel expense.

A reconciliation of the defined benefit obligation and the provision shown in the consolidated balance sheet is as follows:

€ million 28/29 February	2008	2007
Defined benefit obligations for direct pension benefits	507.4	549.9
Fair value of plan assets	-95.5	-95.7
Obligations not covered by plan assets	411.9	454.2
Unamortized actuarial gains and losses	-10.2	-55.3
Provisions for pensions and similar obligations	**401.7**	**398.9**

The amount of unamortized actuarial gains and losses includes gains on plan assets of € 18.3 million (€ 8.8 million).

Movements in the provisions were as follows:

€ million	2007/08	2006/07
Provision at 1 March	**398.9**	**395.6**
Change in companies consolidated (and other)	0.4	-0.8
Pension expenses	33.3	32.7
Contributions to fund assets	-2.0	-0.9
Pension payments during the period	-28.9	-27.7
Provision at 28/29 February	**401.7**	**398.9**

There are similar obligations, particularly relating to foreign group companies, which are calculated actuarially, including estimates of future cost trends.

The development of plan assets is shown below:

€ million	2007/08	2006/07
Plan assets at 1 March	**95.7**	**98.2**
Change in companies consolidated (and other)	-0.5	0.0
Income on plan assets	5.5	4.6
Employer contributions to the funds	7.4	2.6
Employee contributions to the funds	0.5	0.7
Expenses paid from plan assets	-0.2	0.0
Payments made from plan assets	-12.9	-10.4
Plan assets at 28/29 February	**95.5**	**95.7**

Expenditures paid out of plan assets of € 4.9 million reflect the termination of a pension plan in the USA and the payout of the plan assets to the employees.

The following table provides an overview of pensions and similar obligations over time:

€ million 28/29 February	2008	2007	2006	2005	2004
Defined benefit obligations for direct pension benefits	507.4	549.9	550.6	530.5	484.7
Fair value of plan assets	-95.5	-95.7	-98.0	-87.8	-91.8
Obligations not covered by plan assets	411.9	454.2	452.6	442.7	392.9
Unamortized actuarial gains and losses	-10.2	-55.3	-57.0	-49.7	-13.8
Provisions for pensions and similar obligations	**401.7**	**398.9**	**395.6**	**393.0**	**379.1**

% 28/29 February	2008	2007	2006	2005	2004
Discount rate	5.50	4.50	4.50	4.75	5.50

(28) Movements in other provisions

2007/08 € million	Personnel expenses	Uncertain liabilities	Total
Status as at 1 March 2007	**69.8**	**140.2**	**210.0**
Change in companies incl. in the consolidation/currency translation/other changes	-0.3	1.5	1.2
Additions	81.4	234.9	316.3
Use	-13.5	-50.3	-63.8
Release	-16.3	-54.6	-70.9
Status as at 29 February 2008	**121.1**	**271.7**	**392.8**

The provisions for personnel expenses are primarily made up of provisions for long-service awards, part-time early retirement and provisions for termination benefits. The increase from € 69.8 million to € 121.1 million arises principally from termination benefit plans and the expansion of part-time early retirement programs in connection with implemented plant closures. Of the total amount of € 121.1 million, € 59.8 million are expected to be used in 2008/09 with the remaining € 61.3 million to be used in subsequent years.

Provisions for uncertain obligations rose by € 131.6 million to € 271.8 million. This is mainly related to provisions for restoration obligations in connection with plant closings, litigation risk and risks arising from the sugar market regulation. The category is also used to disclose provisions for recultivation and other environmental obligations. The use of these provisions is expected to total € 121.7 million in the 2008/09 financial year and an amount of € 150.0 million in subsequent year.

No significant expenses will occur over and above those included in the balance sheet at February 29, 2008.

(29) Trade payables and other liabilities

		Remaining term			Remaining term	
€ million 28/29 February	**2008**	to 1 year	over 1 year	2007	to 1 year	over 1 year
Trade payables	**839.1**	839.1	0.0	889.9	889.9	0.0
Liabilities for restructuring levy	**548.6**	548.6	0.0	506.5	506.5	0.0
Liabilities for purchase of additional quotas	**0.0**	0.0	0.0	158.8	158.8	0.0
Liabilities for production levy	**12.1**	12.1	0.0	0.0	0.0	0.0
Liabilities for personnel expenses	**90.6**	88.9	1.7	108.3	106.7	1.6
Liabilities for other taxes and social security contributions	**32.9**	32.9	0.0	23.1	23.1	0.0
Negative market value derivatives	**1.8**	1.3	0.5	0.7	0.7	0.0
Other liabilities	**208.1**	189.3	18.8	214.6	192.7	21.9
On-account payments received on orders	**4.7**	4.7	0.0	5.2	5.2	0.0
	1,737.9	**1,716.9**	**21.0**	**1,907.1**	**1,883.6**	**23.5**

Trade payables include amounts due to beet farmers of € 424.1 million (€ 506.7 million) relating to final payments for beet delivered during the 2007 campaign. Payables for the purchase of the additional quota were settled in full in the 2007/08 financial year. The decrease of this liability, which still amounted to € 506.7 million in the previous year, is due to the decrease in beet price arising from the second reform of the sugar market regulation. A production levy will be re-imposed for the first time in the 2007/08 sugar marketing year.

Liabilities for personnel expenses mainly represent commitments for bonuses, premiums, vacation and overtime pay.

Other liabilities also include liabilities for outstanding invoices and liabilities for other taxes.

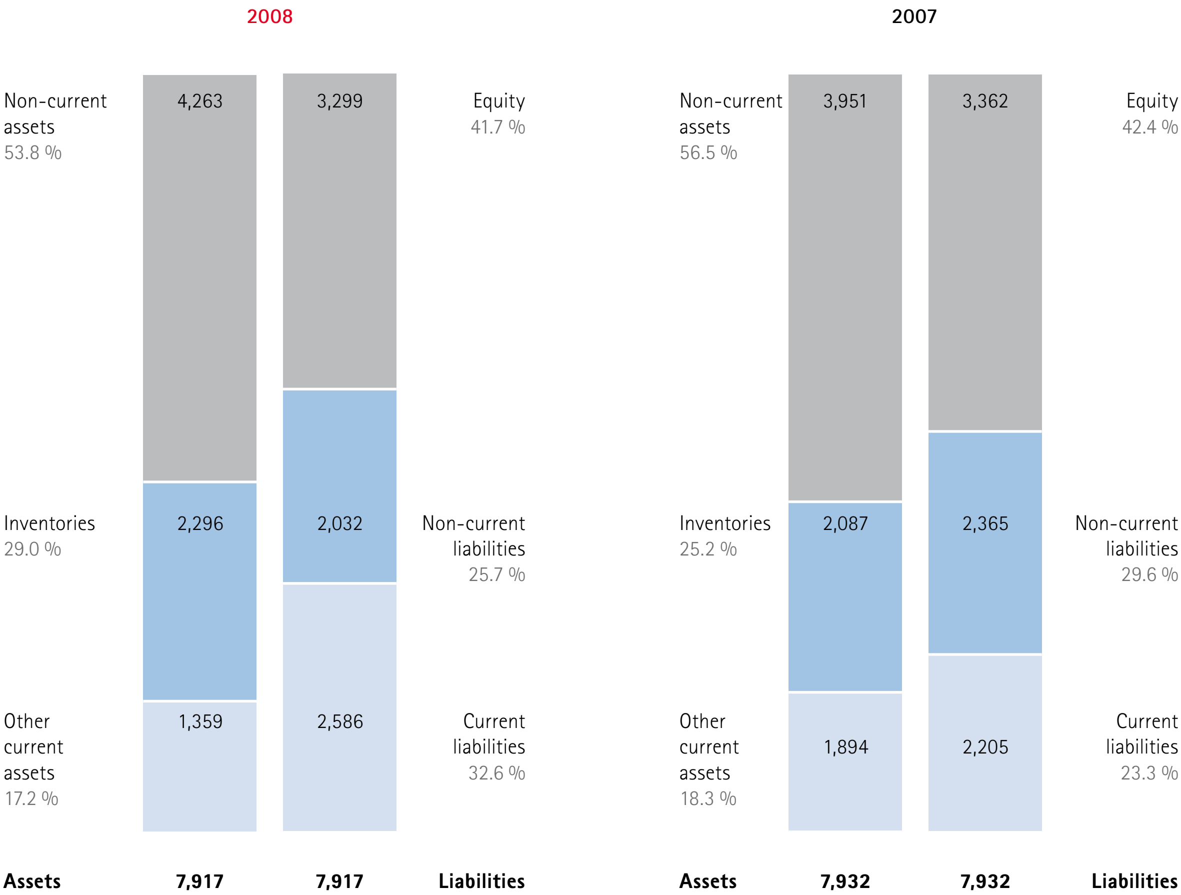
(30) Financial liabilities, securities and cash and cash equivalents (net financial debt)

€ million 28/29 February		Remaining term			Remaining term	
	2008	to 1 year	over 1 year	2007	to 1 year	over 1 year
Bonds	**1,092.3**	256.8	835.5	**1,085.8**	9.8	1,076.0
(of which convertible)	**275.0**	9.8	265.2	**268.1**	9.8	258.3
Liabilities to banks	**808.8**	411.9	396.9	**690.2**	247.9	442.3
Liabilities from finance leasing	0.5	0.3	0.2	1.6	1.1	0.5
Financial liabilities	**1,901.6**	**669.0**	**1,232.6**	**1,777.6**	**258.8**	**1,518.8**
Securities (non-current assets)	-19.5			-27.9		
Securities (current assets)	-157.8			-108.4		
Cash and cash equivalents	-216.6			-830.3		
Net financial debt	**1,507.6**			**810.9**		

The increase in net financial debt to € 1,507.6 million is attributable to continuing investment activity as well as the financing requirements arising from the increase in working capital. Of total financial debt of € 1,901.6 million, € 1,232.6 million, or 64.8 %, is available to the Südzucker Group in the long-term. The equity ratio is equal to 41.7 %. Shareholders' equity and non-current debt together amount to € 5,331 million and thus represent 125.1 % of non-current assets of € 4,263 million. The growth of non-current assets by € 312 million to € 4,263 million resulted predominantly from claims for restructuring assistance, of which 40 % are payable in June of 2009 and 60 % in February of 2010. Net financial debt as a ratio of equity is equal to 45.7 %.

Treasury management at the Südzucker Group covers the management of cash funds and securities, equity capital and borrowings. Südzucker aims at a balance sheet structure with ratio of equity to borrowed capital that will enable it to continue its growth strategy both on the operational level as well as through acquisitions. The future targets for the balance sheet structure are aimed at satisfying the requirements for a sound investment grade rating.

Balance sheet structure at 28/29 February (€ million)



(31) Lending and borrowing activities (financial instruments)

In addition to equity capital, the Südzucker Group uses the following financial instruments for financing purposes:

- Hybrid capital
- Bonds and convertible bonds
- Commercial paper (CP) program
- Syndicated lines of credit
- Bilateral bank credit lines

Financial instruments are normally acquired centrally and divided within the group. The major objectives of financing are to achieve a sustained increase in the value of the company, assuring the creditworthiness of the group, and liquidity.

Südzucker issued a hybrid bond with a total volume of € 700 million and a coupon of 5.25 % in summer 2005, which is shown fully as shareholders' equity in accordance with IFRS (see also disclosures in note (26) shareholders' equity).

€ million 29 February 2008	Due date	Coupon	Book value	Fair value	Nominal value
Südzucker Finance B.V. convertible bond	08.12.2008	3,00 %	247.0	247.5	250.0
Südzucker Finance B.V. bond	08.06.2010	6,25 %	298.6	309.6	300.0
Südzucker Finance B.V. bond	27.02.2012	5,75 %	498.7	511.0	500.0
Other bonds			48.0	48.0	48.0
Bonds			**1,092.3**	**1,116.1**	**1,098.0**

Südzucker has issued bonds with nominal values of € 300 million (6.25 %, due June 8, 2010) and € 500 million (5.75 %, due February 27, 2012) and a convertible bond of € 250 million (due December 8, 2008). The convertible bond has a 3 % coupon and can be converted into Südzucker shares at a price of € 20.23 per share. Other bonds having a nominal value of € 48.0 million (€ 46.3 million) and bearing interest at an average of 4.26 % were issued by Raffinerie Tirlemontoise S.A., Brussels/ Belgium, and Brüder Hernfeld, Vienna/Austria and mature in 2007 through 2013. In total, the face value of all bonds at February 29, 2008 was € 1,098.0 million (€ 1,096.3 million) and their fair value as € 1,161.1 million (€ 1,161.3 million). Of the total bonds with carrying amounts of € 1,092.3 million (€ 1,085.8 million), bonds for a total of € 1,054.1 million (€ 1,049.3 million) are fixed-interest bearing and bonds for a total of € 38.2 million (€ 36.5 million) are floating rate securities.

To finance seasonal fluctuations in liquidity levels, the Treasury department uses overnight and term loans, fixed interest loans or the issuance of commercial paper (CP); funds invested for a period of less than one year are primarily placed as overnight or time deposits or in money market funds. The CP program has a total line of € 600 million and enables Südzucker AG to issue short-term debt securities either directly or for its account via Südzucker International Finance B.V., the Dutch group financing company, based on requirements and the market situation. There were no CP's issued at February 29, 2008.

Liabilities to banks

28/29 February	**2008**	to 1 year	over 1 year	2007	to 1 year	over 1 year	Average effective rate of interest in %	
€ million							**2007/08**	2006/07
Fixed coupon								
EUR	347.7	12.2	335.5	342.7	21.5	321.2	2.82	3.01
CHF	0.0	0.0	0.0	4.4	4.4	0.0	0.00	2.85
CLP	0.0	0.0	0.0	12.7	12.7	0.0	0.00	6.05
CSD	0.3	0.1	0.2	0.0	0.0	0.0	6.88	0.00
CZK	0.0	0.0	0.0	0.1	0.1	0.0	0.00	6.46
GBP	0.0	0.0	0.0	8.4	8.4	0.0	0.00	5.67
MDL	0.0	0.0	0.0	2.4	2.4	0.0	0.00	16.65
PLN	0.8	0.3	0.5	1.2	0.3	0.9	4.38	4.33
Sum	**348.8**	**12.6**	**336.2**	**371.9**	**49.8**	**322.1**	**2.84**	**3.26**
Variable interest rate								
EUR	270.5	209.8	60.7	207.7	115.9	91.8	4.65	4.04
CLP	11.8	11.8	0.0	0.0	0.0	0.0	7.27	0.00
CNY	7.0	7.0	0.0	0.0	0.0	0.0	6.72	0.00
CZK	5.5	5.5	0.0	0.0	0.0	0.0	4.06	0.00
DKK	4.2	4.2	0.0	4.1	0.0	4.1	5.25	4.29
GBP	5.3	5.3	0.0	1.2	1.2	0.0	6.89	6.94
HUF	60.9	60.9	0.0	17.0	17.0	0.0	7.51	8.11
PLN	76.3	76.3	0.0	35.8	35.8	0.0	5.89	4.41
RON	0.0	0.0	0.0	0.4	0.4	0.0	0.00	9.40
SKK	4.3	4.3	0.0	2.3	2.3	0.0	4.14	4.98
USD	14.2	14.2	0.0	49.8	25.5	24.3	5.38	5.01
Sum	**460.0**	**399.3**	**60.7**	**318.3**	**198.1**	**120.2**	**5.38**	**4.48**
Liabilites to banks	**808.8**	**411.9**	**396.9**	**690.2**	**247.9**	**442.3**	**4.28**	**3.82**

Liabilities to banks at February 29, 2008 were € 808.8 million (€ 690.2 million) with an average interest of 4.28 % (3.82 %). Of these liabilities to banks, € 348.8 million (€ 371.9 million) were fixed-interest. At February 29, 2008 liabilities to banks of € 8.0 million (€ 19.5 million) were secured by mortgage rights and € 45.6 million (€ 11.3 million) by other rights.

Südzucker has access to a syndicated line of credit in the amount of € 600 million through July 2012. As an alternate borrower, CropEnergies AG can draw on this credit line for an amount up to € 100 million. As at the balance sheet date of February 29, 2008, no funds had been drawn against this credit line.

Of the liabilities from finance leases of € 0.5 million (€ 1.6 million), € 0.3 million (€ 1.1 million) are due within one year and € 0.2 million (€ 0.5 million) are due between one and five years. The leased assets (buildings, technical equipment and machinery) are included in fixed assets at carrying values totalling € 1.4 million (€ 5.5 million). The difference between carrying value and liabilities results from the longer useful life of the assets compared with the shorter repayment period of the lease terms. The nominal value of minimum lease payments totals € 0.6 million (€ 1.8 million).

Investments in securities of, in total, € 177.3 million (€ 136.3 million) comprise mainly classic money market funds, equities and fixed-interest securities. As a result of working capital financing requirements and payments for the purchase of additional quotas, cash and cash equivalents decreased year-on-year by € 613.7 million from € 830.3 million to € 216.6 million as at the end of February 2008. As part of daily treasury management, these funds are invested in standard money market over-night and time deposits.

(32) Derivative instruments

Südzucker Group uses derivative instruments to a limited extent to hedge part of the risks arising from its operating activities and planned funding needs for its capital expenditures. Südzucker Group mainly hedges the following risks:

Interest-rate change risk on money market interest rates mainly resulting from fluctuations in liquidity levels during the campaign season, or existing or planned floating rate debt.

Foreign currency change risk that can primarily arise from sales of Isomalt, Palatinose and Raftiline/Raftilose and raw/cane sugar purchases in US $ and east-European currencies and from payment obligations in foreign currencies.

Product price change risk results in particular from changes to the world sugar market price, energy and grain prices.

Only normal market instruments are used for hedging purposes, such as interest-rate swaps, caps and futures, and foreign currency futures. The Group also uses sugar and wheat futures. These instruments are used within the framework of Südzucker's risk management system as laid down in Group guidelines, which set limits based on underlying business volumes, define authorisation procedures, prohibit the use of derivative instruments for speculative purposes, minimise credit risks and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines and the correct processing and valuation of transactions, and adherence to segregation of duties.

The nominal volumes of derivative hedge instruments are the imputed call amounts upon which the payments are calculated. The hedged transaction and risk is not the nominal value itself, but rather the related price or interest-rate change.

Fair value is the amount that the Südzucker Group would have had to pay or would have received assuming the hedge transaction were unwound at the end of the year. As the hedge transactions are only carried out using normal market tradable financial instruments, the fair values have been determined using quoted prices on exchanges without offsetting any possible value changes relating to the underlying transaction being hedged.

Credit risks arise from the positive fair values of derivatives. These credit risks are minimised by only making financial derivative transactions with banks with first-class credit ranking.

The nominal and market values of derivative instruments and their credit risks within the Südzucker Group are as follows:

€ million	Nominal volume		Fair value		Credit risk	
28/29 February	**2008**	2007	**2008**	2007	**2008**	2007
Interest rate hedges	61.0	31.0	-1.5	-0.4	0.0	0.1
Currency hedges	106.5	58.8	-0.2	-0.2	0.9	0.1
Product price hedges	34.5	6.1	4.4	-0.1	3.2	0.0
Total	**202.0**	**95.9**	**2.7**	**-0.7**	**4.1**	**0.2**

The increase in the nominal volume of interest rate derivatives in the 2007/08 financial year by € 30.0 million to € 61.0 million (€ 31.0 million) resulted from the fixing of current interest rate levels for a portion of the floating rate loans. The year-on-year increase in the nominal volume of currency derivatives by € 47.7 million to € 106.5 (€ 58.8 million) is due to the increase in hedging of raw materials purchases denominated in foreign currencies. The increase in the nominal volume of product-related derivatives by € 28.4 million to € 34.5 million (€ 6.1 million) is due to both sugar futures contracts as well as wheat futures contracts for bioethanol production.

The currency and product price derivatives hedge cash flows for up to one year and the interest rate hedges are for between one and 5 years.

Changes in values of derivative transactions made to hedge future cash flows (cash flow hedges) are initially recorded directly to a fair value reserve in equity and are only subsequently recorded in the income statement when the cash flow occurs. Their fair values as at February 29, 2008 totalled € 4.2 million (€ -0.7 million). Mark-to-market changes previously recognized directly in equity are reclassified to profit or loss at the time that they are realized. All cash flow hedges were effective.

In response to a 1.0 % increase in the market interest rate or an exchange rate gain of the US dollar, the Australian dollar, the Czech krona or the Hungarian forint of, respectively, 10 %, the market value of the derivatives contracts entered into as at February 29, 2008 would change as follows (sensitivity):

€ million	Fair value		Sensitivity	
28/29 February	**2008**	2007	**2008**	2007
Interest rate hedges	-1.5	-0.4	2.6	-0.5
Currency hedges	-0.2	-0.2	0.5	-2.5
Product price hedges	4.4	-0.1	1.5	0.6
Total	**2.7**	**-0.7**	**4.6**	**-2.4**

(33) Additional disclosures on financial instruments

Carrying amounts and fair value of financial instruments

The following table shows the carrying amount and fair value of financial assets and liabilities for each of the measurement categories under IAS 39. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

28/29 February		2008		2007	
€ million	IAS 39 measurement category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Shares and other investments		94.4	94.4	103.0	103.0
Other securities		21.0	21.0	48.1	48.1
Securities and other investments – available for sale	AfS	115.4	115.4	151.1	151.1
Securities and other investments – available for sale (at cost)	AfS at Cost	24.0	24.0	39.2	39.2
Shares		47.7	47.7	45.7	45.7
Fixed – interest securities		27.5	27.5	28.3	28.3
Other securities		77.2	77.2	3.3	3.3
Securities – at fair value through profit and loss	FAHfT	152.4	152.4	77.3	77.3
Loans (longterm)	LaR	0.7	0.7	0.7	0.7
Restructuring assistance receivables	LaR	291.0	291.0	0.0	0.0
Trade receivables	LaR	727.1	727.1	629.7	629.7
Receivables from export recoveries	LaR	36.5	36.5	39.1	39.1
Other assets	LaR	104.7	104.7	126.7	126.7
Positive market values – product-related derivates	n.a.	4.4	4.4	0.0	0.0
Cash	LaR	216.6	216.6	830.3	830.3
		1,668.4	**1,668.4**	**1,894.1**	**1,894.1**
Financial liabilities					
Bonds	FLAC	1,092.3	1,116.1	1,085.8	1,161.3
Liabilities to banks	FLAC	808.8	807.6	690.2	688.4
Liabilities from finance leasing	n.a.	0.5	0.5	1.6	1.6
Trade liabilities	FLAC	839.1	839.1	885.9	885.9
Liabilities for restructuring levy	FLAC	548.6	548.6	506.5	506.5
Liabilities for purchase of additional quotas	FLAC	0.0	0.0	158.8	158.8
Liabilities for product levy	FLAC	12.1	12.1	0.0	0.0
Liabilities for personnel expenses	FLAC	90.6	90.6	108.3	108.3
Other liabilities	FLAC	208.1	208.1	214.6	214.6
Negative market values – currency hedges	FLHfT	1.5	1.5	0.0	0.0
Negative market values – interest rate hedges	n.a.	0.0	0.0	0.4	0.4
Negative market values – currency hedges	n.a.	0.2	0.2	0.2	0.2
Negative market values – product-related derivatives	n.a.	0.0	0.0	0.1	0.1
		3,601.8	**3,624.4**	**3,652.4**	**3,726.1**

Total by IAS 39 measurement category

28/29 February	2008		2007	
€ million	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Available for Sale (AfS)	115.4	115.4	151.1	151.1
Available for Sale at Cost (AfS at Cost)	24.0	24.0	39.2	39.2
Financial Assets Held for Trading (FAHfT)	152.4	152.4	77.3	77.3
Loans and Receivables (LaR)	1,376.6	1,376.6	1,626.5	1,626.5
Financial Liabilities Measured at Amortised Cost (FLAC)	**3,599.5**	3,622.1	3,650.1	3,723.8
Financial Liabilities Held for Trading (FLHfT)	**1.5**	1.5	0.0	0.0

The fair value of the financial instruments was determined on the basis of the market information available as at the balance sheet date and on the basis of the methods and premises described in the following.

Non-current investments and non-current as well as current securities comprise securities available for sale. These are measured at market values, which are equal to prices quoted on an exchange as at the balance sheet date.

Current securities at fair value through profit or loss are also measured at market values corresponding to the prices quoted on an exchange as at the balance sheet date.

Fair values could not be determined for those non-current investments and non-current and current securities that are measured at cost, since market values or exchange prices were not available in the absence of an active market. These shares represent unlisted companies for which shares were not measured by discounting expected cash flows since future cash flows could not be reliably estimated.

Due to the short maturities of trade receivables, other receivables as well as cash funds, it is assumed that their fair values are equal to their carrying amounts.

The positive and negative market values of currency and product-related derivatives arise exclusively from cash flow hedges. These are used to hedge future cash flows from firm commitments or from highly probable future transactions against fluctuations. Currency futures are measured on the basis of reference rates, taking forward premiums or discounts into consideration. The market value of product-related derivatives (sugar and wheat futures) is determined on the basis of prices quoted as at the reference date. The interest rate derivatives contracts entered in 2007/08 that have negative market values are held exclusively at fair value through profit or loss. The market values of these interest rate hedging transactions were determined on the basis of discounted expected future cash flows.

For trade payables, liabilities related to the restructuring levy and the purchase of additional sugar quotas as well as the other current liabilities, the assumption given their short maturities is that their fair values are equal to their reported carrying amounts.

The fair values of liabilities to banks and other financial liabilities are calculated as the present value of the payments associated with the liabilities, using the relevant current yield curve as the basis.

In the income statement, financial instruments are disclosed by measurement category with a net profit or loss as follows:

€ million	**2007/08**	2006/07
Available for Sale (AfS)	14.6	3.8
Financial Assets Held for Trading (FAHfT)	5.0	1.3
Loans and Receivables (LaR)	14.4	25.2
Financial Liabilities Measured at Amortised Cost (FLAC)	-112.4	-101.5
Financial Liabilities Held for Trading (FLHfT)	-1.5	0.0

In accordance with IFRS 7, net profit or loss from financial instruments includes interest, dividends and gains or losses on the measurement of financial instruments.

(34) Risk management within the Südzucker Group

The Südzucker Group is exposed to market price risk arising from movements in exchange rates, interest rates and share prices. Additional commodity price risks are mainly related to energy procurement as well as the cost of grains and corn for bioethanol production. The Group is also subject to default and credit risks as well as liquidity risk.

Credit and default risk

Credit and default risk relate to the counterparty in a contract not meeting its payment obligations.

The receivables of the Südzucker Group are primarily due from companies in the food industry, the chemical industry as well as in retail. The default risk for trade receivables is continuously analyzed and credit limits are assigned to obligors on the basis of credit worthiness reviews. This is supplemented by the use of commercial credit insurance as well as bank guarantees.

Allowances are recognized to cover the residual risk from trade receivables. The required allowances are guided by the actual default risk. In accordance with internal Group policies, all amounts recognized for receivables are regularly adjusted via allowances as a separate line item. The carrying amounts reflect the maximum default risk from trade receivables. The carrying amounts of past due trade receivables as well as receivables for which specific debt allowances have been recognized are disclosed in item (25) of the notes to the financial statements.

The maximum credit risk from other receivables and assets corresponds to the carrying amounts of these instruments; in the opinion of the Südzucker Group, this risk is not material.

Liquidity risk

Risks arising from cash flow fluctuations are recognized early within the liquidity planning framework. Liquidity planning is integrated into corporate planning and takes the special funding requirements associated with the sugar campaigns into account. Liquidity planning for the budget year is prepared on a monthly basis. Throughout the year, the plan is updated through 3 plan forecasts. The strategic financing plan is prepared on the basis of a 5-year plan.

To manage seasonal fluctuations in cash flows, financing is raised in the form of overnight or term loans, fixed-interest loans or through the issuance of commercial paper (CP) as part of day-to-day treasury management. In order to guarantee financial flexibility of the Südzucker Group and to ensure that is able to meet its payment obligations at any time, a liquidity reserve is maintained in the form of credit lines and, if necessary, in the form of cash funds.

Südzucker has issued bonds with nominal values equal to € 300 million (6.25 %, due on June 8, 2010) and € 500 million (5.75 % due on February 27, 2010) as well as a convertible bond in the amount of € 250 million with a coupon of 3 % (due on December 8, 2008).

The CP program has a total line of € 600 million and enables Südzucker AG to issue short-term debt instruments, depending on requirements and market conditions, either directly for its own account or via Südzucker International Finance B.V., the Group's financing company in the Netherlands.

In addition, a syndicated credit line for an amount of € 600 million has been agreed with a group of underwriting banks through July 2012. CropEnergies AG can draw on this credit line as an alternate borrower for an amount of up to € 100 million. A total of € 889 million has been drawn against the other credit lines provided by banks in the amount of € 1,404 million. Both the credit lines and the amounts drawn against them also include bank guarantees.

The restructuring assistance granted to the Südzucker Group for a total amount of € 446 million (€ 306 million for applications filed through the end of January and € 140 million under applications through March 2008) are payable to Südzucker in June of 2009 at € 178.6 million (40 %) with the remaining € 267.9 million (60 %) to be paid in February of 2010, and will increase the liquidity of the Südzucker Group.

The following summary shows the due dates of liabilities as at February 29, 2008. All outgoing payment flows are undiscounted.

29 February 2008	Net book value	Net cash outflow (as contracted)						
€ million		Total	to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Financial liabilities								
Bonds	1,092.3	1,282.5	317.0	68.8	348.3	544.8	0.1	3.5
Liabilities to banks	808.8	863.5	431.9	128.9	198.1	37.2	30.5	36.9
Liabilities from finance leasing	0.5	0.6	0.3	0.3	0.0	0.0	0.0	0.0
	1,901.6	**2,146.6**	749.2	198.0	546.4	582.0	30.6	40.4
Trade payables and other liabilities								
Trade payables	839.1	839.1	839.1	0.0	0.0	0.0	0.0	0.0
Liabilities for restructuring levy	548.6	548.6	548.6	0.0	0.0	0.0	0.0	0.0
Liabilities for purchase of additional quotas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities for product levy	12.1	12.1	12.1	0.0	0.0	0.0	0.0	0.0
Liabilities for personnel expenses*)	90.5	90.5	88.9	1.7	0.0	0.0	0.0	0.0
Other liabilities	208.1	208.1	189.3	18.8	0.0	0.0	0.0	0.0
Interest rate hedges (cash out)	-.-	11.0	2.2	2.2	2.2	2.2	2.2	0.0
Interest rate hedges (cash in)	-.-	-11.0	-2.2	-2.2	-2.2	-2.2	-2.2	0.0
Currency hedges (cash out)	-.-	113.6	113.6	0.0	0.0	0.0	0.0	0.0
Currency hedges (cash in)	-.-	-113.6	-113.6	0.0	0.0	0.0	0.0	0.0
	1,698.4	**1,698.4**	1,678.0	20.5	0.0	0.0	0.0	0.0
	3,600.0	**3,845.1**	**2,427.2**	**218.5**	**546.4**	**582.0**	**30.6**	**40.4**

28 February 2007	Net book value	Net cash outflow (as contracted)						
€ million		Total	to 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	over 5 years
Financial liabilities								
Bonds	1,085.8	1,336.6	67.0	306.7	68.5	348.2	544.7	1.5
Liabilities to banks	690.2	745.3	268.4	97.0	127.0	158.0	44.8	50.1
Liabilities from finance leasing	1.6	1.8	1.2	0.3	0.3	0.0	0.0	0.0
	1,777.6	**2,083.7**	336.6	404.0	195.8	506.2	589.5	51.6
Trade payables and other liabilities								
Trade payables	889.9	889.9	889.9	0.0	0.0	0.0	0.0	0.0
Liabilities for restructuring levy	506.5	506.5	506.5	0.0	0.0	0.0	0.0	0.0
Liabilities for purchase of additional quotas	158.8	158.8	158.8	0.0	0.0	0.0	0.0	0.0
Liabilities for product levy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities for personnel expenses	94.2	94.2	92.6	1.6	0.0	0.0	0.0	0.0
Other liabilities	214.6	214.6	192.7	21.9	0.0	0.0	0.0	0.0
Interest rate hedges (cash out)	-.-	6.6	2.2	2.2	2.2	0.0	0.0	0.0
Interest rate hedges (cash in)	-.-	-6.3	-2.1	-2.1	-2.1	0.0	0.0	0.0
Currency hedges (cash out)	-.-	64.4	64.4	0.0	0.0	0.0	0.0	0.0
Currency hedges (cash in)	-.-	-64.4	-64.4	0.0	0.0	0.0	0.0	0.0
Product price hedges (cash out)	-.-	0.1	0.1	0.0	0.0	0.0	0.0	0.0
	1,864.0	**1,864.4**	1,840.8	23.6	0.1	0.0	0.0	0.0
	3,641.6	**3,948.1**	**2,177.4**	**427.6**	**195.9**	**506.2**	**589.5**	**51.6**

The undiscounted payment outflows are subject to the condition that the settlement of the liability is related to the earliest possible due date. The interest payments on variable-rate financial instruments are calculated on the basis of the most recent applicable interest rates.

Currency risks

Risks associated with exchange rate fluctuations arise from the global orientation of the Südzucker Group and such risks from exchange rate fluctuations are inherent in the operating activities as well as the financial results and cash flows. The relative exchange rates having a material effect are the exchange rates of the Euro to the US dollar, the British pound sterling, the Polish zloty, the Romanian leu, the Ukrainian hryvnia and/or the Russian rouble.

For the Südzucker Group, the currency risk arises on the one hand in its operating activities if sales revenues are realized or the cost of materials and/or merchandise used in incurred in other than the local currency.

In the Sugar segment, quota sugar exports are subject to USD exchange rate risks, which are hedged through currency futures contracts in the period from the grant date of the export license to receipt of the payment. The C sugar exports that were permissible up until the last financial year were also invoiced in USD; this export opportunity has been eliminated by the restrictive export policy of the EU within the framework of the reform of sugar market regulations. The subsidiary in Romania is exposed to currency risk from raw sugar purchases denominated in USD.

In the Special Products segment, currency risks arise in the BENEO area from sales revenues generated in USD for which the underlying production costs are mostly incurred in Euros. Sales revenues of the Freiberger Group in Great Britain are subject to currency risk related to the British pound sterling.

The Bioethanol Division is not subject to currency risk since its sales are denominated in Euros. In connection with the procurement of raw materials, the volume of purchases denominated in foreign currencies is limited.

In the Fruit segment, currency risks arise from world-wide fruit purchases.

The sensitivity analysis assumes a 10 % drop of the exchange rates for the following currencies against the Euro; the effects on operating results are shown below. The effects of the other relative exchange rates are not material, either individually or in aggregate.

Currency risks in operating profit

€ million	28/29 February	**2008**	2007
Sensitivity			
U.S. dollar (USD)		-3.4	-27.2
British pound (GPB)		-1.1	0.4
Russian rouble (RUB)		0.7	0.0
		–3.8	**–26.8**

The currency risk associated with financial results in mainly due to intra-Group financing of subsidiaries in currencies other than local currency. In Eastern Europe the Südzucker Group finances its subsidiaries through intra-Group loans denominated in Euros. In Poland, an intra-Group Euro loan was extended to finance the increase in shareholdings in sugar plants in eastern Poland and Silesia. This loan is intended for long-term financing; the exchange rate fluctuations arising from it are recognized directly in equity.

In the 2007/08 financial year, intra-Group financing generated currency translation losses of € -6.6 million (€ -4.9 million). If the exchange rates of the following countries to the Euro had dropped by 10 % as of February 29, 2008, financial results would have been lower by the following amounts:

Currency risks in financing activities

€ million	28/29 February	**2008**	2007
Sensitivity			
Polish zloty (PLN)		-7.3	-6.8
Romanian leu (RON)		-3.8	-3.7
Hungarian forint (HUF)		-5.7	-2.2
Ukrainian hryvna (UAH)		-2.8	-1.9
Russian rouble (RUB)		-1.5	-1.5
		-21.1	**-16.1**

If the value of the Polish zloty had dropped by 10 %, shareholders equity would have decreased by € 9.0 million.

An exchange rate gain for the currencies would have resulted in comparable increases in net income/shareholder's equity.

Equity price risk

Südzucker holds shares in equity funds as investments of cash funds and a limited number of stocks as long-term investments. A drop in all relevant share prices by 10 % would have resulted in a drop in financial results by € -0.8 million and a decrease in shareholder's equity of € -9.8 million.

Interest rate change risk

The primary exposure of the Südzucker Group to interest rate risk exists in the Euro zone and in Eastern Europe.

Interest rate change risks are shown in the form of sensitivity analyses. Such analyses represent the effect of changes in market interest rates on interest payments, interest income and interest expense. The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rate on fixed-interest financial instruments only affect net interest income/expense if they are recognized at fair value. Accordingly, these financial instruments, which are recognized at cost, are not subject to interest rate change risk.

An increase in market interest rates by 1 % as at February 29, 2008 would have resulted in a € 5.0 million (€ 3.5 million) increase in interest expense. The effect on net profit/loss is limited to € 498.2 million (€ 354.8 million) of financial debt with variable interest rates, or 26.2 % (20.0 %) of total financial liabilities of € 1,901.6 million (€ 1,777.6 million).

(35) Contingent liabilities and other financial commitments

Contingent liabilities and other financial commitments not recognized in the balance sheet are as follows:

€ million 28/29 February	**2008**	2007
Guarantees	5.3	6.5
Warranty commitments	1.9	2.1
Purchase order commitments for fixed assets	174.5	183.2

The guarantees relate to third parties. We do not expect to have to make any performance payments, either from the guarantees or from the warranty commitments. Purchase orders for fixed assets are primarily for completion of the bioethanol plants at Wanze/Belgium, as well as expanding the bioethanol plant in Zeitz, together with expenditures required at sugar factories in preparation for the next campaign.

Südzucker is exposed to possible obligations arising from various claims or proceedings which are pending or which could be asserted. Any estimates of future costs arising in this area are of necessity subject to many uncertainties. Südzucker makes provisions for such risks to the extent a loss is deemed probable and the amount can be reliably estimated.

The liabilities from operating leases are related to leases and rental agreements for agricultural land, for IT hardware and software as well as to offices and machinery. The due dates for the minimum lease payments are as follows:

€ million	**2007/08**	2006/07
Due date: 1 year	24.0	25.6
Due date: 1-5 years	13.1	13.4
Due date: over 5 years	8.0	6.2
	45.1	**45.2**

Other notes

(36) Segment reporting

As set out in IAS 14 (Segment Reporting), segment information has been presented in accordance with internal reporting. in three segments, sugar, special products and fruit. The sugar segment includes the core sugar business in Europe. The special products segment includes the BENEO, bioethanol, Freiberger, PortionPack and starch divisions. The fruit segment covers the fruit juice concentrates and fruit preparations divisions.

Segment results are measured by their operating profit, i.e. profits before restructuring costs and special items and interest and investment income and expense. Operating margin is calculated as the percentage of operating profit to revenues. As for the previous year, transactions between segments (sales of € - 258.8 million (€ -215.2 million)) are made at normal market conditions.

Segment assets and liabilities are derived from total assets and liabilities, less financial assets and liabilities, reflecting the centralized control over financial activities of all group companies. Additionally, segment assets and liabilities exclude investments in associated companies which cannot be directly allocated to a segment, as well as other investments, securities and loans, and current and deferred tax assets and liabilities.

Capital employed reflects operating capital tied up in the group. It consists of fixed assets, including intangible assets, and working capital of the segment (inventories, trade receivables and other assets less trade accounts payable, other short-term liabilities and short-term provisions and accrued liabilities). Capital employed does not include the investments for the bioethanol plants in Pischelsdorf and Wanze that are not yet in production, or the discounted claims to restructuring assistance. In the Fruit segment, the carrying amounts of goodwill items are shown at the level of the immediate parent company for the sake of greater comparability. ROCE (return on capital employed) represents the ratio of net operating profits to the capital employed.

(37) Fees for services by the group external auditors

Fees in 2007/08 for services provided by the group's external auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft were made up of fees of € 0.9 million (€ 0.6 million) for the audits of the consolidated financial statements, of the financial statements of Südzucker AG and of its domestic subsidiaries. Other reporting and advisory fees of € 0.1 million (€ 1.2 million) related almost entirely to the CropEnergies AG IPO.

(38) Declaration of compliance per § 161 AktG

The declaration of compliance relating to the German Corporate Governance Code per § 161 AktG was submitted by the executive board and supervisory board on November 22, 2007. It can be downloaded by shareholders on the Internet at our homepage: http://www.suedzucker.de/investorrelations/de/governance/

(39) Related Parties

A related party, as defined in IAS 24 (Related Party Disclosures), is Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (SZVG), which holds a majority of the shares 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 on the accounts held for SZVG and SUW at Südzucker AG in 2007/08 were cash received from dividends and business transactions. There is an agreement to pay interest on the balances on these accounts at normal market rates. Südzucker AG had liabilities to SZVG of € 1.9 million (€ 28.0 million) and to SUW of € 6.7 million (€ 6.8 million) at February 29, 2008.

The total compensation granted to members of the executive board by Südzucker AG for 2007/08 amounted to € 2.8 million (€ 3.3 million). The variable component made up of 36 % (42 %) of their fixed remuneration, calculated based on the dividend to be approved by the annual general meeting. Compensation to members of the executive board granted by subsidiaries totalled € 1.6 million (€ 1.7 million).

Provisions for pensions of € 15.5 million (€ 16.6 million) relate to former members of Südzucker AG's executive board and their dependent relatives. Provisions for pensions for current executive board members amount to € 14.6 million (€ 14.3 million). Additions in 2007/08 amounted to € 0.3 million (€ 0.6 million). Payments to former members of Südzucker AG's executive board and their dependent relatives amounted to € 1.8 million (€ 1.6 million) in 2007/08.

Total compensation to members of Südzucker AG's supervisory board for 2007/08 was € 1.2 million (€ 1.5 million).

The description of the remuneration system of the executive board and supervisory board is set out in the corporate governance report in the management report.

(40) Supervisory board and executive board

Supervisory board

Dr. Hans-Jörg Gebhard
Chairman
Eppingen
Chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.

Board memberships[1]
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (Chairman)
Vereinigte Hagelversicherung VVaG, Gießen
VK Mühlen AG, Hamburg

Dr. Christian Konrad
Deputy chairman
Vienna, Austria
Chairman of AGRANA Beteiligungs-AG, Vienna

Board memberships[2]
BAYWA AG, Munich
RWA Raiffeisen Ware Austria AG, Vienna, Austria
RWA Raiffeisen Ware Austria Handel und Vermögens-verwaltung reg. Gen.m.b.H., Vienna, Austria
Siemens Österreich AG, Vienna, Austria
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

Franz-Josef Möllenberg[3]
Deputy chairman
Rellingen
Chairman of the Food and Catering Union

Board memberships
Kraft Foods Deutschland GmbH, Bremen (Deputy chairman)
Kreditanstalt für Wiederaufbau, Frankfurt am Main

Heinz Christian Bär
To July 24, 2007
Karben-Burg Gräfenrode
Former Vice president of the Deutscher Bauernverband e. V.

Board memberships
LBH Steuerberatungsgesellschaft mbH, Friedrichsdorf
Vereinigte Hagelversicherung VVaG, Gießen

Gerlinde Baumgartner[3]
To July 24, 2007
Osterhofen
Former member of the works council of the Plattling works of Südzucker AG Mannheim/Ochsenfurt

Dr. Ralf Bethke
Since July 24, 2007
Deidesheim
Former chairman of the executive board of K+S Aktiengesellschaft

Board memberships
Benteler AG, Paderborn
Dr. Jens Ehrhardt Kapital AG, Pullach (Chairman)
K+S Aktiengesellschaft, Kassel
K+S KALI GmbH, Kassel
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

Dr. Ulrich Brixner
To July 24, 2007
Dreieich
Former chairman of the executive board of DZ BANK AG

Board memberships
Banco Cooperativo Español S.A., Madrid, Spain
DZ BANK
Ireland plc., Dublin, Ireland (Chairman)
Equens Deutschland AG, Frankfurt am Main
Equens Nederlands B.V., LB Utrecht, The Netherlands
Equens N.V., LB Utrecht, The Netherlands
Landwirtschaftliche Rentenbank, Frankfurt am Main
Natixis S.A., Paris, France

[1] Board memberships other than within the Südzucker Group.
[2] Board memberships other than within the Südzucker Group and Raiffeisen-Holding Niederösterreich Group, Vienna.
[3] Employee representative.

Ludwig Eidmann
Groß-Umstadt
Chairman of the executive board of SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG and Chairman of the Association of the Hessisch-Pfälzischen Zuckerrübenanbauer e.V.

Wolfgang Endling[3]
Hamburg
Divisional officer of the Food and Catering Union

Board memberships
Nestlé Deutschland AG, Frankfurt am Main

Dr. Jochen Fenner
Gelchsheim
Chairman of the Association of Fränkische Zuckerrübenbauer e.V.

Egon Fischer[3]
To July 24, 2007
Offstein
Former deputy chairman of the works council of ZAFES Offstein of Südzucker AG Mannheim/Ochsenfurt

Manfred Fischer[3]
Feldheim
Chairman of the works council of Südzucker AG Mannheim/Ochsenfurt

Erwin Hameseder
Mühldorf, Austria
Managing director of Raiffeisen-Holding Niederösterreich-Wien reg. Gen.m.b.H.

Board memberships[2]
Flughafen Wien AG, Vienna, Austria
VK Mühlen AG, Hamburg (Deputy chairman)

Hans Hartl[3]
Ergolding
State area chairman of the Food and Catering Union in Bavaria

Board memberships
Brau Holding International AG, Munich (Deputy chairman)

Leo Heller[3]
Since July 24, 2007
Bieberehren
Chairman of the works council of the Offenau works Südzucker AG Mannheim/Ochsenfurt

Wolfgang Kirsch
Since July 24, 2007
Königstein
Chairman of the executive board of DZ BANK AG

Board memberships
Banco Cooperativo Español S.A., Madrid, Spain (Deputy Chairman)
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main
Österreichische Volksbanken-AG, Vienna, Austria
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt
Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall (Chairman)
R+V Versicherung AG, Wiesbaden (Chairman)
Union Asset Management Holding AG, Frankfurt am Main (Chairman)

Klaus Kohler[3]
Bad Friedrichshall
Chairman of the works council of the Offenau works Südzucker AG Mannheim/Ochsenfurt

Erhard Landes
Donauwörth
Chairman of the Association of bayerische Zuckerrübenanbauer e. V.

Ulrich Müller
To July 24, 2007
Illsitz
Former chairman of the Association of the Sächsisch-Thüringische Zuckerrübenanbauer e. V.

Board memberships
Raiffeisenwarengesellschaft mbH Gößnitz, Gößnitz
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (Deputy chairman)

Dr. Arnd Reinefeld[3]
Offstein
Manager of the Groß-Gerau, Offenau and Offstein works of Südzucker AG Mannheim/Ochsenfurt

Board memberships
TÜV Rheinland Berlin Brandenburg Pfalz e. V. (Landesverwaltungsrat Rheinland-Pfalz), Cologne

Joachim Rukwied
Since July 24, 2007
Eberstadt
Chairman of the State Farmers' Association in Baden-Württemberg e. V.

Board memberships
AGRA-EUROPE Presse- und Informationsdienst GmbH, Bonn
Buchstelle Landesbauernverband Baden Württemberg GmbH, Stuttgart

Ronny Schreiber[3]
Einhausen
Chairman of the works council of the Mannheim head office of Südzucker AG Mannheim/Ochsenfurt

Franz-Rudolf Vogel[3]
Since July 24, 2007
Worms
Chairman of the works council - Offstein works - of Südzucker AG Mannheim/Ochsenfurt

Ernst Wechsler
Westhofen
Deputy chairman of the Association of Hessisch-Pfälzische Zuckerrübenanbauer e. V.

Roland Werner[3]
Saxdorf
Chairman of the works council - Brottewitz works - of Südzucker AG Mannheim/Ochsenfurt

Committees of the Supervisory Board

General Committee

Dr. Hans-Jörg Gebhard (Chairman), Franz-Josef Möllenberg (Deputy chairman), Dr. Christian Konrad (Deputy chairman), Manfred Fischer

Agriculture Committee

Dr. Hans-Jörg Gebhard (Chairman), Ludwig Eidmann, Klaus Kohler, Erhard Landes, Dr. Arnd Reinefeld, Roland Werner

Audit Committee

Ludwig Eidmann (Chairman), Manfred Fischer, Dr. Hans-Jörg Gebhard, Franz-Josef Möllenberg

Social Welfare Committee

Dr. Hans-Jörg Gebhard (Chairman), Ludwig Eidmann, Manfred Fischer, Hans Hartl, Dr. Christian Konrad, Franz-Josef Möllenberg

Arbitration Committee

Dr. Hans-Jörg Gebhard (Chairman), Dr. Christian Konrad, Franz-Josef Möllenberg, Manfred Fischer

Executive board

Dr. Theo Spettmann (Spokesman)
Ludwigshafen

Board memberships[1]
Gerling Vertrieb Firmen und Privat AG, Hannover (Deputy chairman)
Mannheimer AG Holding, Mannheim
University Mannheim (University Council), Mannheim

Dr. Wolfgang Heer
Since March 1, 2008
Ludwigshafen

Dr. Thomas Kirchberg
Since September 1, 2007
Ochsenfurt

Thomas Kölbl
Mannheim

Board memberships[1]
Baden-Württembergische Wertpapierbörse GmbH, Stuttgart

Prof. Dr. Markwart Kunz
Worms

Dipl. Ing. Johann Marihart
Limberg, Austria

Board memberships[1]
BBG Bundesbeschaffungsges. m. b. H., Vienna, Austria
LEIPNIK-LUNDENBURGER INVEST Beteiligungs-AG, Vienna, Austria
Österreichische Forschungsförderungsgesellschaft mbH, Vienna, Austria
Österreichische Nationalbank AG, Vienna, Austria
Ottakringer Brauerei AG, Vienna, Austria
TÜV Österreich, Vienna, Austria (Chairman)
Universität für Bodenkultur, Vienna, Austria

Dr. Rudolf Müller
To February 29, 2008
Ochsenfurt

Board memberships[1]
Bavaria State Institute of Agriculture, Freising-Weihenstephan,
Technical College (University Council), Freising-Weihenstephan
K+S Aktiengesellschaft, Kassel
Universität Hohenheim (University Council), Stuttgart

Frédéric Rostand
To April 3, 2007
Paris, France

Board memberships[1]
Société Bic S.A., Clichy, France

[1] Board memberships other than within the Südzucker Group.
[2] Board memberships other than within the Südzucker Group and Raiffeisen-Holding Niederösterreich Group, Vienna.
[3] Employee representative.

(41) Significant investments of the Südzucker Group

	Location	Country	SZ share (%)	Indirect holding (%)
SUGAR SEGMENT				
Sugar Germany				
Südzucker AG Mannheim/Ochsenfurt (Parent company)	Mannheim			
Sugar Belgium				
Raffinerie Tirlemontoise S.A.	Brussels	Belgium		99.41
Sugar France				
Saint Louis Sucre S.A.	Paris	France		99.76
Sugar Poland				
Südzucker Polska S.A.	Wroclaw	Poland		100.00
Sugar Moldova				
Südzucker Moldova S.A.	Drochia	Moldova	82.67	
Sugar Austria				
AGRANA Zucker GmbH	Vienna	Austria		100.00
Sugar Czech Republic				
Moravskoslezské Cukrovary A.S.	Hrusovany	The Czech Republic		97.66
Sugar Slovakia				
Slovenské Cukrovary s.r.o.	Rimavska Sobota	Slovakia		100.00
Sugar Hungary				
Magyar Cukorgyártó és Forgalmazó Zrt.	Budapest	Hungary		87.56
Sugar Romania				
S.C. AGRANA Romania S.A.	Bukarest	Romania		91.33
S.C. Romana Prod s.r.l.	Roman	Romania		100.00
Sugar Bulgaria				
AGRANA Trading EOOD	Sofia	Bulgaria		100.00
Sugar Bosnia				
STUDEN-AGRANA Rafinerija Secera d.o.o.	Brcko	Bosnia-Herzegovina		100.00 [3]
Sugar others				
AGRANA Beteiligungs-AG	Vienna	Austria		37.75 [4]
Agrar und Umwelt AG Loberaue	Rackwitz		100.00	
BGD Bodengesundheitsdienst GmbH	Mannheim		100.00	[1]
Brüder Hernfeld Gesellschaft m.b.H.	Vienna	Austria		100.00
Candico N. V.	Merksem	Belgium		75.50
Hottlet Sugar Trading N. V.	Berchem/Antwerpen	Belgium		62.55
James Fleming & Co. Ltd.	Midlothian	Great Britain		100.00
Maxi s.r.l.	Bozen	Italy	50.00	
Mönnich GmbH	Kassel		100.00	[1]

[1] Exemption per § 264 para. 3 HGB. [2] Exemption per § 264b HGB. [3] Joint venture companies. [4] Majority of voting share.

	Location	Country	SZ share (%)	Indirect holding (%)	
NCG + S.A.	Montelimar	France		99.49	
REKO Erdenvertrieb GmbH	Regensburg		100.00		[1]
Südprojekt Silo und Logistik GmbH & Co. KG	Mannheim		100.00		
Südzucker International Finance B.V.	Oud-Beijerland	The Netherlands	100.00		
Sugarfayre Ltd.	Northumberland	Great Britain		100.00	
Suikers G. Lebbe N. V.	Oostkamp	Belgium		99.87	
SPECIAL PRODUCTS SEGMENT					
Freiberger					
Freiberger Holding GmbH	Berlin		10.00	90.00	[1]
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	Berlin			100.00	[2]
Prim AS Tiefkühlprodukte Gesellschaft m.b.H.	Oberhofen	Austria		100.00	
Stateside Foods Ltd.	Westhoughton	Great Britain		100.00	
BENEO					
BENEO GmbH	Mannheim		100.00		
BENEO-Orafti S.A.	Oreye	Belgium		99.99	
BENEO-Palatinit GmbH	Mannheim		100.00		[1]
BENEO-Remy N.V.	Wijgmaal (Leuven)	Belgium		100.00	
Orafti Chile S.A.	Pemuco	Chile		100.00	
Starch					
AGRANA Stärke GmbH	Vienna	Austria		100.00	
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	Szabadegyhaza	Hungary		50.00	[3]
S.C. A.G.F.D. Tandarei s.r.l.	Tandarei	Romania		99.99	
Bioethanol					
CropEnergies AG	Mannheim		70.59		
Südzucker Bioethanol GmbH	Zeitz			100.00	[1]
Biowanze S.A.	Brussels	Belgium		100.00	
RYSSEN ALCOOLS S.A.S.	Paris	France		100.00	
AGRANA Bioethanol GmbH	Vienna	Austria		74.90	
PortionPack					
PortionPack Europe Holding B.V.	Oud-Beijerland	Netherlands	33.00	67.00	
PortionPack Belgium N.V.	Herentals	Belgium		100.00	
PortionPack Holland B.V.	Oud-Beijerland	Netherlands		100.00	
Hellma Gastronomie-Service GmbH	Nuremberg			100.00	

[1] Exemption per § 264 para. 3 HGB. [2] Exemption per § 264b HGB. [3] Joint venture companies. [4] Majority of voting share.

	Location	Country	SZ share (%)	Indirect holding (%)	
FRUIT SEGMENT					
Fruit preparations					
AGRANA Fruit Argentina S.A.	Buenos Aires	Argentina		99.99	
AGRANA Fruit Australia Pty. Ltd.	Central Mangrove	Australia		100.00	
AGRANA Fruit Austria GmbH	Gleisdorf	Austria		100.00	
AGRANA Fruit Brasil Indústria, Comércio, Importacao e Exportacao Ltda.	Sao Paulo	Brazil		98.02	
AGRANA Fruit Dachang Co., Ltd.	Dachang	China		100.00	
AGRANA Fruit France S.A.	Mitry-Mory Cedex	France		100.00	
AGRANA Fruit Germany GmbH	Konstanz			100.00	
AGRANA Fruit Istanbul Gida Sanayl Ve Ticaret A.S.	Istanbul	Turkey		100.00	
AGRANA Fruit Korea Co. Ltd.	Songpar-Ku	South Korea		100.00	
AGRANA Fruit México, S.A. de C.V.	Michoacan	Mexico		100.00	
AGRANA Fruit Polska SP z.o.o.	Ostroleka	Poland		100.00	
AGRANA Fruit S.A.	Neuilly Sur Seine	France		100.00	
AGRANA Fruit Services S.A.S	Mitry-Mory Cedex	France		100.00	
AGRANA Fruit South Africa (Proprietary) Ltd.	Cape Town	South Africa		100.00	
AGRANA Fruit Ukraine TOF	Vinnitsa	Ukraine		100.00	
AGRANA Fruit US, Inc.	Brecksville Ohio	USA		100.00	
Dirafrost FFI	Herk-de-Stad	Belgium		100.00	
Diramar sarl	Laouamra	Morocco		100.00	
o.o.o AGRANA Fruit Moscow Region	Serpuchov	Russia		100.00	
Fruit-juice concentrates					
AGRANA Juice Denmark A/S	Koge	Denmark		100.00	
AGRANA Juice GmbH	Gleisdorf	Austria		100.00	
AGRANA Juice Magyarorzság Kft.	Vasarosnameny	Hungary		100.00	
AGRANA Juice Poland SP z.o.o.	Bialobrzegi	Poland		100.00	
AGRANA Juice Romania Vaslui s.r.l.	Vaslui	Romania		100.00	
AGRANA Juice Service & Logistik GmbH	Bingen			100.00	
Xianyang Andre Juice Co., Ltd.	Xianyang City	China		50.00	[3]

[1] Exemption per § 264 para. 3 HGB. [2] Exemption per § 264b HGB. [3] Joint venture companies. [4] Majority of voting share.

A complete list of investments as required by § 313 para. 2 nos. 1 through 4 and para. 3 HGB is published in the electronic version of the Federal Gazette.

(42) Events after the balance sheet date

Events after the balance sheet date are discussed in the Management Report.

(43) Proposed appropriation of earnings

Retained earnings of Südzucker AG Mannheim/Ochsenfurt amount to € 75.747.118,06. It will be proposed to the annual general meeting that a dividend of € 0.40 per share be distributed and be appropriated as follows:

Distribution of a dividend of € 0.40 per share on 189,353,608 ordinary shares	75,741,443.20 €
Earnings carried forward	5,674.86 €
Unappropriated earnings	**75,747,118.06 €**

The dividend will be paid on July 30, 2008.

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 Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mannheim, May 15, 2008
THE EXECUTIVE BOARD

Dr. Spettmann Dr. Heer Dr. Kirchberg Kölbl Prof. Dr. Kunz Marihart

The financial statements and the management report of Südzucker AG Mannheim/Ochsenfurt, prepared in accordance with German accounting principles and upon which PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, has issued an unqualified auditors' report, will be submitted to the operator of the electronic version of the Federal Gazette (Bundesanzeiger Verlagsgesellschaft mbH, Cologne) and published in the electronic version of the Federal Gazette. It can be obtained from the company on request.

Auditors' Report

We have audited the consolidated financial statements prepared by Südzucker Aktiengesellschaft Mannheim/Ochsenfurt, Mannheim, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from March 1, 2007 to February 29, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a para. 1 are the responsibility of the executive board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) as well as in accordance with International Standards on Auditing (ISA). 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 consolidated financial statements, prepared in accordance with German principles of proper accounting, and in the group management report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the executive board, as well as evaluating the overall presentation of the consolidated financial statements and group 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 consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a para. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 16, 2008
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ernst-Wilhelm Frings	Georg Wegener
Auditor	Auditor

Glossary

ACP countries | African, Caribbean and Pacific countries.

Beneo™ | Brand name for → inulin and → oligofructose.

BENEO Group | Company comprised of Südzucker group's functional food business units.

BENEO-ORAFTI | Producer of food ingredients that markets nutrition-specific, functional products based on chicory.

BENEO-Palatinit | Producer of functional carbohydrates that markets and sells to the worldwide food, beverage and pharmaceutical industries. The product portfolio includes (→) Isomalt, (→) Palatinose™ and (→) galenIQ™.

BENEO-Remy | Producer of rice derivatives

Beta factor | Beta factor defines the relationship between a stock's price movement and the movement of a stock market index. It is an indicator of the stock price's sensitivity to fluctuations in the index. A beta greater than one indicates that the stock's price varies more than the overall market index. A beta of one indicates that the stock's price moves in tandem with the market index and a beta less than one indicates that the stock's price fluctuates less than the market index. A Südzucker's shares are compared to the MDAX® index. For example: The beta factor of 0.71 for Südzucker shares discussed in the annual report means that Südzucker's stock fluctuated 30 % less than the MDAX® over the period of observation.

Bioethanol | Alcohol produced from renewable raw materials. Raw materials include, at least theoretically, sugar, starch and cellulosed-based biological substances. Südzucker uses grain and sugar-based syrup as raw materials.

Bond | Certificated, interest-bearing debt security to be repaid at nominal value. Bonds are issued by many entities, including public bodies, banks and companies for long-term funding purposes and can be subsequently traded by bearers. Bonds can be issued with many variables, including maturity, amount and type of interest (fixed or variable), repayment terms, etc.

Capital employed | Capital employed is operating capital used in the group. It includes property, plant and equipment including intangible assets and working capital (inventories, receivables and other assets less trade accounts payable, other current, non-interest bearing liabilities and current provisions). Capital employed is disclosed by segment.

Cash flow | Amount used to evaluate the financing and earnings power of a company, showing the extent to which net earnings for the year lead to cash flows from operating activities. Südzucker calculates cash flow by adjusting net earnings for the year for items not producing or requiring cash. Hence, depreciation, impairment losses and reversals of impairment losses on property, plant and equipment, changes in long-term provisions and deferred tax liabilities and other items of income and expenditures not affecting cash are eliminated from group net earnings for the year. Cash flow from operating activities can be used to finance capital expenditures, repay liabilities or distribute dividends.

Consolidation | Consolidated financial statements are prepared as if all group companies made up a single entity. Consolidation is the accounting method for eliminating all internal group transactions. All expenses and income and intercompany profits from supplies and services between group companies are eliminated by offset (consolidation of income and expenses and elimination of intercompany profits). Investments in group companies are offset against shareholders' equity (equity consolidation) and all intercompany receivables and liabilities are eliminated (assets and liabilities consolidation), as such legal relationships cannot exist between one legal person. The consolidated balance sheet and consolidated income statement show the total of the remaining items in the financial statements.

Convertible bond | Bond that can be converted into equity shares of the issuer under pre-determined conversion conditions at a pre-determined conversion price.

Corporate governance | Responsible corporate management and controls. The entire set of principles and rules relating to the organization, behavior and transparency, developed in the interests of shareholders and which, taking account of the decision-making ability and efficiency of management, is aimed at achieving a balanced relationship between management and control at the highest management level. The aim is to increase the transparency of corporate management, improve co-operation between the entity's management bodies and ensure efficient controls over corporate management. Compliance with the corporate governance principles is a significant means of strengthening the trust of shareholders, customers, employees and the public in the management and control of an entity.

Corporate governance code | Code introduced by legislation in 2002, mainly setting out legal requirements on management and control of listed German companies (management) and, furthermore, containing internationally- and nationally recognized standards for sound and responsible corporate management. All German listed companies are legally obligated to declare to what extent these recommendations have been, and will be, implemented.

CP | Commercial paper; marketable, unsecured bearer bonds, issued as short-term third-party debt. CPs are revolving, with a typical term of between one week and twelve months.

CropEnergies AG | Subsidiary of Südzucker Group and one of the largest producers of bioethanol in Europe. CropEnergies produces bioethanol for the fuel market from bio-mass (grain and sugar-based syrup).

CropPower85 | Brand name for a fuel produced by CropEnergies AG for flexible fuel vehicles. CropPower85 is made up of 85 % bioethanol mixed with 15 % gasoline (E85).

DAX®/MDAX® | German equities index/ mid-cap DAX®; the German equities index, launched in 1998, combines the thirty largest German shares by market capitalization and order book sales. The DAX® is thus the leading index for the German stock exchange (Deutsche Börse). The MDAX® includes 50 further equities, primarily from classical sectors at the next size level below the entities included in the DAX®, and thus reflect share price movements of medium-sized entities (mid caps).

Derivates | Derivative financial instruments; financial products whose fair value can either be determined based on classical underlying instruments such as equities or raw materials or from market prices such as interest rates or exchange rates. There are many forms of derivatives, including forwards, options or futures. Südzucker uses derivatives for financial risk management.

E85 | Blended fuel for → FFVs consisting of 85 % bioethanol and about 15 % gasoline.

Earnings per share | Earnings after income taxes attributable to the shareholders of Südzucker AG relating to one share. Earnings per share are calculated based on the profit for the year after minority interest in proportion to the number of equity shares in circulation during the year.

EBIT | Earnings before interest and taxes; ratio measuring the operating income potential of a company in which income tax expense and financial results are eliminated from net earnings for the year. EBIT is of major importance for comparing companies with different financial structures or subject to different tax systems. Operating profit as used by Südzucker is essentially the same as EBIT.

EBITDA | Earnings before interest, taxes, depreciation and amortization;

Emission | Issue of new securities, particularly equities and bonds.

Equity method | Measurement method for investments in entities in which the investor has a significant influence over the operating and financial policies. The carrying value of the investment is increased or decreased by the share of net earnings or losses, whereby distributions by the partly owned company reduce the investment without affecting the income statement.

ETBE | Environmentally-friendly octane improver made from bioethanol.

Excess sugar | Sugar, which is produced over and above quota and industrial sugar. It can initially be transferred to the next sugar year, used for regions at the extreme edge of the EU, or exported as part of the World Trade Organization's quantity limitation.

First wave | Compensated quota surrenders are grouped into two phases for the 2008/09 sugar year. The second wave may not be launched until the quotas surrendered in the first wave to January 31, 2008 reach at least the level of the preventive market return announced in March 2007.

Flexible fuel vehicle | Vehicle equipped with an engine management system permitting the addition of up to 85 % bioethanol to normal gasoline.

Food ingredients | Food additives mainly for the processing industry.

Fruit-juice concentrates | Supplied to the fruit-juice and drinks industry and forming the basis for fruit-juice drinks.

Fruit additives | Preparation of high-quality fruit in liquid or solid form, mainly supplied to the ice cream and dairy-processing industries.

Functional food | Food or food ingredients with health applications.

galenIQ™ | Product range of transmitter and additive materials for the pharmaceutical industry developed from Isomalt.

Glycemic | Blood-sugar raising effect.

Gras status | Generally recognized as safe-status, safety certificate issued by the well-known American FDA (Food and Drug Administration).

Hybrid capital | Subordinated corporate bond which, due to its unlimited term, has characteristics similar to shareholders' equity. As cancellation is only possible by the issuer at predetermined dates, hybrid capital is treated as shareholders' equity in accordance with IFRS.

IAS | International Accounting Standards. International accounting standards set by the international accounting standards board (IASB), an independent and privately-financed committee formed in London in 1973. The IAS continues to exist within IFRS, required standards in Europe since 2005.

IFRS | International Financial Reporting Standards, which have formed the basis for preparation of consolidated financial statements of all listed companies in Europe since 2005. This should lead to increased conformity of international accounting standards and improve comparability of financial statements of capital market-oriented entities. IFRS include and supplement International Accounting Standards already issued since 1973.

Income from associated companies | Consists of the investor's share of net earnings or losses of those entities included in the consolidated financial statements using the equity method.

Industrial sugar | Sugar produced outside the quota system, supplied to the chemical and pharmaceutical industries and used for producing bioethanol, starch, citric acid and vitamins.

Intervention | Sale of sugar at intervention/reference price to state-owned bodies. This instrument remains as an additional measure through to 2009/10 in the SMR.

Inulin | Pre-biotic ballast substance from chicory root with proven healthy properties.

Inutec® | Inulin derivative for technical applications.

Isomalt | The only sugar substitute produced from sugar and which tastes as natural as sugar. It is dental-friendly, reduces calories and has hardly any effects on blood-sugar levels. The most commonly used raw material in sugar-free candies worldwide, it is also used in chewing gum, chocolate and bakeries.

LDCs | Least developed countries.

Market reduction | The EU is using this instrument to remove sugar quantities from the market with the intent to achieve market equilibrium. A preventive market reduction can be announced every year up until March 16, enabling producers to adjust their planting areas accordingly and thus prevent any excess. The final reduction percentage of quota sugar is determined by October 31 of the related year at the latest.

Minimum beet price | Fixed price which sugar producers must pay to sugar farmers for quota beet delivered under the terms of the sugar market regulation.

NA-I goods | Products marketed outside the EU; the difference in price between the EU and world market price for sugar is refunded

Net financial debt | Generally deemed to be a comparison of financial liabilities with financial assets. Südzucker determines net financial debt as the sum of all financial liabilities, less cash and cash equivalents and securities.

Non-EU countries | Used in this report to describe countries which are not EU member states.

Non-quota sugar | Industrial sugar and excess sugar.

Oligo-fructose | Pre-biotic ballast substance from chicory root with proven healthy properties.

Operating profit | Whereas EBIT is net earnings for the year adjusted for interest and income taxes in order to establish comparability between entities with different financial structures and subject to different income tax systems, operating profit adjusts income from operating activities to exclude special items not regularly affecting income. This permits comparison of operating results with other periods and serves as an instrument for internal control of the business.

Options | Derivatives by which the holder acquires the right to buy an asset, such as a share, in the future (call option) or the right to sell an asset in the future (put option). As the holder, in contrast to the writer, of an option enters into no obligation apart from paying the option premium, this is a contingent forward contract. Options can be entered into for assets as well as for market prices, such as foreign currency rates or interest rates or, for example, agricultural raw materials.

P:E ratio | Price earnings ratio. Important ratio for stock exchange values of equities, particularly used for comparing companies with similar business profiles within an industry (comparable companies). The stock market price is compared to earnings per share in order to determine the price earnings ratio. In the same way, the price earnings ratio is calculated as the relationship of market capitalization and earnings for the year after deduction of minority interest. Generally, a share having a lower P:E ratio compared with the average comparable company is seen as favorable, whereas one with a higher P:E ratio is viewed as unfavorable.

Palatinose™ | The only low glycemic carbohydrate that supplies the body with long-lasting energy from glucose. Furthermore, Palatinose™ is dental-friendly and is solely produced from sugar. The main application areas are drinks in the functional food and wellness areas.

Production levy | The EU commission charged a production levy of € 12 per tonne of sugar for the 2007/08 sugar year.

ProtiGrain® | Brand name for high-value animal feed marketed by CropEnergies and arising from producing bioethanol from corn.

Quotas | The sugar market regulation determines a quantity of sugar and isoglucose for each member state, for which there is a sales and price guarantee. These quantities are in turn divided among the entities and are called quotas. Quotas serve to limit production and avoid excesses.

Quota beet | Sugar beet needed to produce the sugar quota allocated.

Quota sugar | Sugar allocated to a specific financial year in which quotas are produced and marketed.

Rating | Normal estimate of creditworthiness of a creditor on international capital markets and bonds issued by these creditors by rating agencies using standardized evaluation ratios such as cash flow and debt situation. The creditworthiness evaluation is made on a scale from, for example, AAA or Aaa (highest creditworthiness for long-term ratings) to D or C (lowest creditworthiness for long-term ratings). Ratings are aimed at assisting investors to evaluate the credit risk of the company itself as well as its current and non-current securities issued as third-party financing.

Raw sugar value | Based on unrefined raw sugar.

Reference price | Forecast of intended sugar price.

Restructuring levy | Levy to finance the restructuring fund. The sugar producers must pay this levy for each quota tonne from 2006/07 through 2008/09.

Restructuring assistance | Entities which return quotas to the restructuring fund on a voluntary basis and as a company-specific decision receive a restructuring assistance.

Restructuring fund | In order to achieve market stability on the EU sugar market by 2009/10, the fund should purchase quotas from EU member states. It is financed by the restructuring levy charged to sugar producers.

ROCE | Return on capital employed; used within Südzucker Group to measure the profitability of a segment. This is calculated by comparing operating profit with assets employed in the segment. This latter amount is the total of non-current assets (excluding financial assets) and working capital → Capital employed

Second wave | Companies may voluntarily surrender additional quotas to the fund until March 31, 2008 to avoid the uncompensated reductions to be enforced by the Commission effective February 2010.

Sugar exports | These are limited in the new sugar market regulation to the EU's world trade organization obligations of a quantity of 1.374 million tonnes of sugar.

Sugar year | As of 2007/08, the sugar year begins on October 1 and ends on September 30.

Transfer | An entity can resolve to wholly or partly transfer the excess part of sugar production over its sugar quota to the following sugar year. This is then treated as the first quantity produced within the quota for the following sugar year.

Value shares | Shares of companies that have a comparably stable profit history and a comparably high net asset value are referred to as value shares. There is no universal definition for value shares. For example, an investor's value strategy may be based on criteria such as a high dividend yield, low PE ratio, low level of debt and high cash flow, etc.

Wave | → First wave → Second wave

White sugar value | Based on refined sugar, and is 10 % lower than the raw sugar value.

World market prices | Prices for securities or goods which make up the balance of supply and demand. For tradable goods in highly liquid markets the world market price is determined by daily market prices.

Working capital | The difference between current assets and current, non-interest bearing liabilities. Working capital includes inventories, receivables and other assets less trade accounts payable, other current non-interest bearing liabilities and current provisions. The amount demonstrates to what extent an entity has its capital tied up in the revenue-generating process. Positive working capital indicates that products used in the revenue-generating process are paid before cash is received from marketing the finished products.

WPA | Economic partner treaty. Replaces the Cotonou treaty of the EU with ACP countries valid until the end of 2007. The aim of this WTO-compliant WPA is to establish a free trade zone between the EU and ACP countries. Effective September 1, 2009, EU import duties on products from the ACP countries will be eliminated. A safeguard mechanism for sugar will exist from October 1, 2009 to September 30, 2015. Total imports originating from ACP countries may not exceed 3.5 million tonnes.

WTO | World Trade Organization.

Forward looking statements/forecasts

This annual report contains forward looking statements based on assumptions and estimates made by the executive board of Südzucker AG. Although the executive board may be convinced that these assumptions and estimates are reasonable, future actual developments and future actual results may vary considerably from the assumptions and estimates due to many external and internal factors. For example, matters to be mentioned in this connection include current negotiations relating to the world trade agreement (WTA), changes to the overall economic situation, changes to market regulations, consumer behavior and state food and energy policies. Südzucker AG takes no responsibility and accepts no liability for future developments and future actual results achieved being the same as the assumptions and estimates included in this annual report.

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Financial calendar

1st quarter report 2008/09	10 July 2008
Annual general meeting 2007/08	29 July 2008
2nd quarter report 2008/09	15 October 2008
3rd quarter report 2008/09	14 January 2009
Press and analysts conference for 2008/09	27 May 2009
1st quarter report 2009/10	15 July 2009
Annual general meeting 2008/09	21 July 2009

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Südzucker Group on the Internet

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