Annual Report Südzucker AG 2008/09

SÜDZUCKER

– Overview of 2008/09

– Key figures

Financial calendar

1st quarter report 2009/10	15 July 2009
Annual general meeting 2009/10	21 July 2009
2nd quarter report 2009/10	15 October 2009
3rd quarter report 2009/10	14 January 2010
Press and analysts conference for 2009/10	27 May 2010
1st quarter report 2010/11	14 July 2010
Annual general meeting 2009/10	20 July 2010

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/en/Investor-Relations/Publikationen/Berichte/Berichte-2008-09/

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

Overview of 2008/09

- Group revenues up 2 % to € 5.9 (5.8) billion

- Group operating profit rises 11 % to € 258 (233) million driven by substantially higher profits in the sugar segment.

- Sugar segment generates higher profits thanks to reduced charges from the restructuring phase of the EU sugar market regulation.
  - Revenues: -4 % to € 3,320 (3,464) million
  - Operating profit: € 137 (60) million

- Special products segment growth remains strong, business unit reaches prior year's profit level despite substantial commodity price fluctuations.
  - Revenues: +11 % to € 1,427 (1,283) million
  - Operating profit: € 108 (107) million

- CropEnergies segment again generates significantly higher revenues. Profit decline driven by higher cost of raw materials mitigated by volume growth and cost advantages.
  - Revenues: +78 % to € 319 (180) million
  - Operating profit: € 18 (22) million

- Fruit segment revenues decline. Profit significantly impacted by fruit juice concentrates inventory write-down in the second quarter.
  - Revenues: -6 % to € 805 (853) million
  - Operating profit: -€ 5 (44) million

Outlook for 2009/10

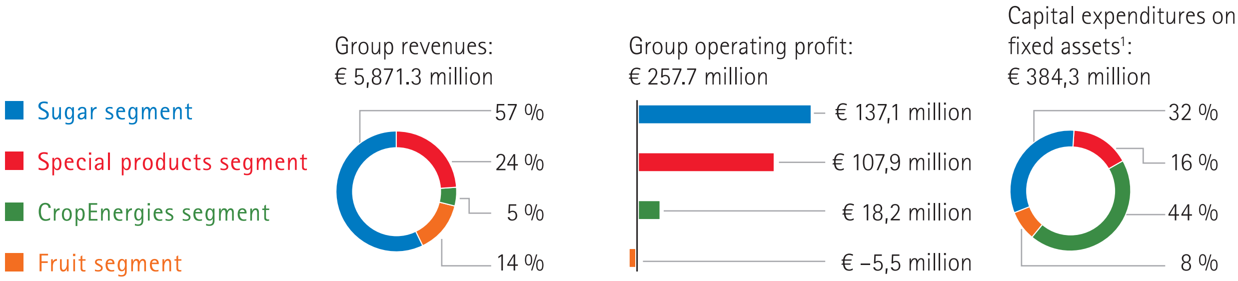
- End of the restructuring phase in the EU sugar market and the elimination of the charges associated with market regulation reform.
- Global financial and economic crisis hampers forecasting.
- Group revenues expected on previous year's level.
- Operating profit of around € 400 million expected.

Key figures

		2008/09	2007/08	2006/07	2005/06	2004/05
Revenues and earnings						
Revenues	€ million	5,871	5,780	5,765	5,347	4,872
EBITDA	€ million	489	489	682	669	724
as % of revenues	%	8.3	8.5	11.8	12.5	14.9
Operating profit	€ million	258	233	419	450	523
as % of revenues	%	4.4	4.0	7.3	8.4	10.7
Net earnings (loss) for the year	€ million	183	100	–246	305	358
Cash flow and capital expenditures						
Cash flow	€ million	504	498	554	527	550
Capital expenditures on fixed assets[1]	€ million	384	497	537	426	500
Investitions on financial assets	€ million	40	53	62	216	590
Total capital expenditures	€ million	424	550	599	642	1,090
Performance						
Fixed assets[1]	€ million	2,626	2,596	2,574	2,368	2,094
Goodwill	€ million	1,124	1,104	1,109	1,746	1,671
Working capital	€ million	1,337	1,431	965	1,107	882
Capital employed	€ million	4,923	5,005	4,767	5,221	4,646
ROCE	%	5.2	4.7	8.8	8.6	11.3
Capital structure						
Shareholders' equity	€ million	3,229	3,299	3,362	3,733	2,738
Equity ratio	%	41.9	41.7	42.4	47.1	38.1
Asset cover	%	127	125.1	144.9	135.7	119.2
Net financial debt	€ million	1,632	1,508	811	1,177	1,672
Earnings (loss) per share	€	0.86	0.10	–1.72	1.36	1.67
Dividend per € 1 share	€	0.40[2]	0.40	0.55	0.55	0.55
Employees		17,939	18,642	19,575	19,903	17,494
Employees sugar segment		8,598	10,043	10,885	11,678	12,001
Sugar production	1,000 t	4,210	4,579	4,602	5,210	5,132
Sugar factories		30	39	40	43	44

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

By segments



Südzucker Aktiengesellschaft Mannheim/Ochsenfurt

Group Annual Report for 2008/09
1 March 2008 to 28 February 2009

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's special products (functional food, starch, chilled/frozen products and portion packs), CropEnergies (bioethanol) and fruit (fruit preparations/fruit juice concentrates) segments have captured significant market shares in their target sectors. 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 for the purpose of subsequent processing by various industries. 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 - a process we have already started - in addition to conducting our traditional core business. This can be accomplished through organic growth, alliances and acquisitions. Exceptional motivation combined with recognition of excellent performance will help us achieve our objective. Our compliance principles are also open and transparent to those inside our company, so that everyone will identify with our adopted strategies. 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 aim is to set benchmarks in every one of our business segments.

Südzucker Group and its segments

Sugar segment 2008/09

Revenues	€ 3,320.1 million
EBITDA	€ 255.4 million
Depreciation of fixed assets and intangible assets	€ -118.3 million
Operating profit	€ 137.1 million
Restructuring/special items	€ 102.3 million
Income from operations	€ 239.4 million
EBITDA margin	7.7 %
Operating margin	4.1 %
ROCE	5.0 %
Investments on fixed assets	€ 123.5 million
Investments on financial assets	€ 26.2 million
Total Investments	€ 149.7 million
Employees	8,598

2008 Campaign

Group
- 30 sugar factories, 3 refineries
- 25 million t beets processed
- 4.2 million t sugar produced (incl. raw sugar refining)

Germany
- 9 sugar factories - 1,530,000 t sugar produced

Belgium
- 2 sugar factories - 530,000 t sugar produced

France
- 4 sugar factories, 1 refinery
- 836,000 t sugar produced

Austria
- 2 sugar factories - 447,000 t sugar produced

Poland
- 6 sugar factories - 330,000 t sugar produced

Romania
- 1 sugar factory, 1 refinery
- 162,000 t sugar produced

Slovakia
- 1 sugar factory - 45,000 t sugar produced

Czech Republic
- 2 sugar factories - 134,000 t sugar produced

Hungary
- 1 sugar factory - 66,000 t sugar produced

Bosnia
- 1 refinery - 50,000 t sugar produced

Moldova
- 2 sugar factories - 82,000 t sugar produced

Special products segment 2008/09

Revenues	€ 1,427.4 million
EBITDA	€ 172.1 million
Depreciation of fixed assets and intangible assets	€ -64.2 million
Operating profit	€ 107.9 million
Restructuring/special items	€ -3.7 million
Income from operations	€ 104.2 million
EBITDA margin	12.1 %
Operating margin	7.6 %
ROCE	8.4 %
Investments on fixed assets	€ 60.1 million
Investments on financial assets	€ 1.7 million
Total Investments	€ 61.8 million
Employees	4,142

BENEO-Group
- BENEO-Orafti/BENEO-Palatinit/BENEO-Remy
- Food ingredients such as inulin, oligofructose, Isomalt, Palatinose™, galenIQ™ and rice derivatives for functional food
- 5 production locations around the world (Belgium, Chile, Germany, Italy)

Freiberger
- Frozen pizzas, pasta, baguettes and chilled pizzas
- 6 production locations in Europe (Germany, Great Britain, Austria)

PortionPack Europe
- Portion packs
- 7 production locations (Belgium, Czech Republic, Germany, Netherlands, Poland, Austria)

Starch
- Starch for food and non-food sectors
- 2 production locations in Austria, 1 in Hungary and 1 in Romania
- Bioethanol
  1 production location in Austria with an annual capacity of up to 240,000 m³
  1 production location in Hungary (HUNGRANA), with an annual capacity of up to 160,000 m³

CropEnergies segment

CropEnergies segment	2008/09
Revenues	**€ 319.3 million**
EBITDA	**€ 28.6 million**
Depreciation of fixed assets and intangible assets	€ -10.4 million
Operating profit	**€ 18.2 million**
Restructuring/special items	€ -11.0 million
Income from operations	**€ 7.2 million**
EBITDA margin	9.0 %
Operating margin	5.7 %
ROCE	8.2 %
Investments on fixed assets	€ 170.1 million
Investments on financial assets	€ 0.6 million
Total Investments	**€ 170.7 million**
Employees	272

CropEnergies AG

- Leading European manufacturer of sustainably produced bioethanol, predominantly for the fuel sector
- Annual bioethanol production capacity almost tripled to over 700,000 m^3
- 1 production location in Germany (Zeitz) with an annual capacity of up to 360,000 m^3
- 1 production location in Belgium (Wanze) with an annual bioethanol production capacity of up to 300,000 m^3
- 2 production locations in France: Eppeville (raw alcohol) and Dunkirk (bioethanol), with an annual capacity of up to 100,000 m^3

Fruit segment

Fruit segment	2008/09
Revenues	**804.5 million**
EBITDA	**32.5 million**
Depreciation of fixed assets and intangible assets	-38.0 million
Operating profit	**-5.5 million**
Restructuring/special items	–
Income from operations	**-5.5 million**
EBITDA margin	4.0 %
Operating margin	–
ROCE	–
Investments on fixed assets	30.6 million
Investments on financial assets	11.6 million
Total Investments	**42.2 million**
Employees	4,927

Fruit preparations

- High-quality, customer-specific fruit preparations for international food companies (e.g., dairy, ice cream and baked goods industries)
- World market leader
- 25 production locations around the world (Belgium, Germany, France, Austria, Poland, Russia, Serbia, Turkey, the Ukraine; Argentina, Australia, Brazil, China, Fiji, Morocco, Mexico, South Africa, South Korea, United States)

Fruit juice concentrates

- High-quality apple juice and berry juice concentrates
- One of the leading producers of fruit juice concentrates in Europe
- 10 concentrate factories in Europe (Denmark, Austria, Poland, Romania, Hungary, the Ukraine) and two joint ventures in China

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

Dr. Ralf Bethke
Deidesheim
Former chairman of the executive board
of K+S Aktiengesellschaft

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

Wolfgang Endling**
Until January 31, 2009
Hamburg
Former divisional officer of the
Food and Catering Union

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

Manfred Fischer**
Feldheim
Chairman of the central works council of
Südzucker AG, Mannheim/Ochsenfurt

Erwin Hameseder
Mühldorf, Austria
Managing director of Raiffeisen-Holding
Niederösterreich-Wien

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

Leo Heller**
Until August 31, 2008
Bieberehren
Former chairman of the works council
at the Ochsenfurt factory of
Südzucker AG, Mannheim/Ochsenfurt

Reinhold Hofbauer**
Since September 1, 2008
Deggendorf
Chairman of the works council of the
Plattling factory of
Südzucker AG, Mannheim/Ochsenfurt

Wolfgang Kirsch
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.

Bernd Maiweg**
Since February 13, 2009
Gütersloh
Divisional officer of the
Food and Catering Union

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

Joachim Rukwied
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**
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 Zuckerrübenanbauer
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 123 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. Wolfgang Heer
Ludwigshafen
Sugar sales
Audit (since May 1, 2009)

Dr. Thomas Kirchberg
Ochsenfurt
Agricultural policies
Beets
Animal feed/by-products
Farms/commodity markets
Agricultural research and development
Audit (until April 30, 2009)

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

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

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,

The results for the 2008/09 financial year make it clear that Südzucker Group is able to deal successfully with the restructuring in the sugar segment and is also well positioned in the volatile agricultural markets during uncertain economic periods. The radical restructuring in the sugar segment driven by the reforms of the sugar market regulation underscores the company's potential to continue to successfully conduct business in these markets, which in future will be even more aggressively contested. The strong competitors, and especially the concentration of the massive purchasing strength of customers, will result in even higher standards being set in regard to ability to deliver, quality and customer service. Südzucker Group is also well prepared in this area, particularly in view of the recent sale to competitors of the Danish sugar company and a Spanish one. These changing general conditions, along with alternate strategies for expanding activities outside the EU and broadening the product portfolio, were key topics of discussion with the executive board. The newly formed CropEnergies segment was able to start full production as planned after commissioning the factory in Wanze, Belgium. The plant fulfills all criteria specified for sustainable production. An environmentally friendly energy concept, utilization and refinement of all by-products and the adequate grain quantities available in Europe in normal years underline the logic and long-term sustainability of the concept. In view of the far-reaching public discussion, the supervisory board also discussed at length with the executive board the topic most easily described by the catchphrase "food or fuel". The general financial and economic conditions also made financing the company a key topic of discussion for the supervisory board.

We continued to work closely and candidly with the executive board in 2008/09. We particularly focused on the tasks for which we are responsible as per the law, the company bylaws and rules of procedure, which call for the supervisory board to monitor and advise the executive board in the latter's management of the company.

We were directly involved in all decisions of material importance affecting Südzucker Group and were 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 Südzucker 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 activities. The reporting obligations of the executive board are defined in a rule of procedure and the catalog of businesses subject to reporting is part of Südzucker AG's bylaws.

In fiscal 2008/09, the company's personnel direction was set when the terms of office of the executive board members were extended and the future chairman elected.

Supervisory board meetings and decisions | The supervisory board met with the executive board in four ordinary meetings in financial 2008/09. One member did not attend one of the meetings, and two members sent their regrets at one other meeting. Otherwise, all supervisory board members personally attended the meetings. 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.

The meeting regarding the balance sheet on May 27, 2008 dealt with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated February 29, 2008. 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 29, 2008 annual general meeting. Shareholdings and property issues were also on the agenda.

A decision was made on the five-year plan and capital spending plans at the supervisory board meeting dated July 28, 2008, a day ahead of the annual general meeting for 2008. In addition, the review of the Q1, half year and Q3 reports with the executive board recommended by the German Corporate Governance Code was delegated to the audit committee.

Corporate strategy was discussed in detail at the November 27, 2008 supervisory board meeting. The earnings projections for 2008/09 were also dealt with at the meeting, as was a decision on investment proposals. Issues related to corporate governance and a decision on the declaration of compliance for 2008 were also discussed in detail.

The projections for the Group's consolidated statements for 2008/09 were presented at the January 29, 2009 supervisory board meeting. A decision was also made on the investment proposal and the issue of a borrower's note loan.

In March 2008, the supervisory board members made use of the written procedure to approve two investment proposals 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 125 of the annual report lists the names of the individuals on the various committees.

The supervisory board executive committee met once during the 2008/09 financial year and continued to coordinate regularly at other times. The meetings dealt mainly with executive board personnel issues and decisions.

The audit committee met twice during last financial year. At its May 15, 2008 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. The main areas to focus on for the 2008/09 audit were defined as credit management and inventory management in the sugar segment. In accordance with the recommendations of the German corporate governance code, the chair of the audit committee is not the same person as the chair of the supervisory board.

The half-year and Q3 reports were discussed in detail at the audit committee meetings on October 13, 2008 and January 12, 2009.

The agricultural committee met on July 9, 2008 to discuss the harvest report and the establishment of agricultural operations in Moldova.

The respective chairs of the committees reported the results of the meetings to the supervisory board at its next sitting.

All members participated in the committee meetings with the exception of the agricultural committee meeting on July 9, 2008, at which one member was missing due to extenuating circumstances.

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

Corporate governance | At its meeting on November 27, 2008, the supervisory board discussed in detail the company's compliance with the recommendations and suggestions 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.

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 2008 issued by the executive and supervisory boards, can be reviewed in the corporate governance report on page 67 of the annual report. In addition, all relevant information is available on the Internet at http://www.suedzucker.de/de/Investor-Relations/Corporate-Governance/.

The executive board fully complied with its duties as prescribed by law and the standard rules of procedure regarding reporting to the supervisory board, and did so in a timely manner. 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. The supervisory board is also confident that Südzucker Group's risk management system is effective and that it received regularly updates from the executive board in this regard.

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 reviewed the financial statements and management report of Südzucker AG for the 2008/09 financial year, the recommendation of the executive board for appropriation of the retained earnings and the consolidated financial statements and management report for 2008/09, and issued an unqualified audit opinion on each of them. 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. No potential disqualification or bias issues arose during the audit.

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 14, 2009 meeting and in the supervisory board's financial review meeting of May 26, 2009 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 26, 2009, it endorsed the financial statements for Südzucker AG and consolidated Südzucker Group financial statements prepared by the executive board. The financial statements of Südzucker AG are thus adopted. The supervisory board concurs with the executive board's recommendation regarding the distribution of a dividend in the amount of € 0.40 per share.

Board members | There were two personnel changes at the supervisory board level in fiscal 2008/09.

Mr. Leo Heller, who took early retirement, stepped down from the supervisory board and Mr. Reinhold Hofbauer, chair of the works council at Südzucker AG's Plattling factory, who had been elected by the employees in April 2007 as a replacement member, stepped in to take his place.

Mr. Wolfgang Endling resigned in January 31, 2009 and Mr. Bernd Maiweg, divisional officer of the Food and Catering Union, took his place on the supervisory board as per the February 13, 2009 decision by the Mannheim magistrate's court.

Both departing members are owed a vote of thanks and recognition for their commitment to the company's well being.

The supervisory board appointments of Messrs. Johann Marihart and Thomas Kölbl were extended to January 31, 2014 and May 31, 2014 respectively by the supervisory board at its meeting on July 28, 2008. At the meeting on November 27, 2008, Dr. Wolfgang Heer was elected chair of the executive board effective as of the departure of Dr. Theo Spettmann from the board (after the close of the 2009 annual general meeting).

Together with the executive board, the members of the supervisory board would like to pay their respects to employees 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 26, 2009
On behalf of the Supervisory Board
Dr. Hans-Jörg Gebhard
Chairman

Dear shareholders,

our long-term business plan demonstrated its strength in 2008/09, even in times of economic weakness. We have captured a leading share of our key EU markets and focus our business activities on logical markets; i.e., Europe. We are familiar with this region. The general conditions in the EU are comparable and this is where our regional synergies give us true advantages. It is also likely that Europe's markets will become even more closely knit, which will enable Südzucker to apply its expertise and competitive strength even more efficiently. Südzucker Group's product portfolio cannot escape the influences of the world market, but the company's solid understanding of the market makes the risks manageable.

Looking at Südzucker Group's predominant focus on Europe from the perspective of the possible consequences of climate change reveals further positive aspects. Because climate change in this region will likely only become a problem in the long term, there is an opportunity to take steps to counter declining production; e.g., using plant cultivation techniques. This also means that the importance of Europe as an agricultural producer of food for worldwide consumption could increase. Südzucker Group's consistent sustainability-based strategy also works in our favor here.

The seesaw of the financial markets also brought into focus other traditional Südzucker Group strengths. These include share ownership by the beet growers, which supports a joint crisis-management strategy, stable balance sheets and financial structures, as well as open, transparent communication with all our shareholders based on a meaningful accounting system and clear forecasts. Our excellent standing in the capital markets is based on our continuing excellent credit scores. We see trust as the most important currency, not only during times of crisis. Our goal is to be a predictable partner for our shareholders and the capital market.

We want to underscore this with our financial report for fiscal 2008/09. In spite of the upheavals in the sugar segment driven by the new market regulation, the global turbulence in agricultural markets, and last but not least, the financial and economic crisis, Südzucker was able to generate an almost 2 % increase in group revenues, which ended at € 5.87 (5.78) billion. We are also pleased to have been able to improve the group's operating profit by about 10 %. It rose to € 258 (233) million. The increase in the sugar segment's operating profit from € 76.6 million to € 137.1 (60.5) million, an almost unchanged operating profit of € 107.9 (107.1) million in the special products segment and an only slight drop at CropEnergies, where profit came in at € 18.2 (22.0) million, are offset by a sharp drop in the fruit segment, where profit plummeted to -€ 5.5 (43.5) million. Growth in the sugar segment continued to be defined by the rules of the new sugar market regulation in 2008/09; however, we have already been able to take advantage of the new emerging opportunities and limit the decline in production volume. The new option to produce sugar for non-food applications in quantities over and above the allotted quotas improves the loading of our remaining sugar factories and adds purchasers in new industries to our customer base. In addition, an agreement with Mauritius will enable us to market sugar imports that arrive in the EU from LDCs/ACP countries duty-free under the terms of the new sugar market regulation. Südzucker Group is an ideal partner for Mauritius. The company has the logistics expertise and an existing sales infrastructure capable of delivering the approximately 400,000 tonnes of sugar from Mauritius in accordance with the standards Südzucker has set for its European customers. This has enabled Südzucker to offset nearly half of the 871,000 tonnes of sugar quota lost when it was surrendered to the restructuring fund. In Eastern Europe too, our group is aiming to utilize the reshaped production infrastructure, which was mainly driven by price and quota reductions, by forming alliances with established partners. Country-specific solutions have significantly improved our market chances in the past and will continue to do so in future. Nevertheless, the EU's problem continues to be the fact that the forced reliance on sugar imports will also lead to a dependence on sugar supplied by the global markets.

The price increases driven by weather conditions as well as speculation, particularly for grain, recently brought topics such as supply reliability and the affordability of food back to the attention of many consumers. Here Südzucker Group, of its own accord, made sure there was an adequate supply for consumers and converting industries in the sugar segment, despite the seasonality of harvests and sugar production, by storing adequate quantities. Up until now, this has been supported by the rules of the sugar market regulation. The second objective, which is to deliver sugar at reasonable prices (increases significantly below the general rate of inflation for food) has also been met, in spite of huge cost increases, especially for energy. Of course producing sugar in the EU assumes that beet growers and the sugar industry can generate margins that make local production possible. Conducting business in a sustainable manner on the basis of social and environmental standards cannot generate costs in countries in which these values are of little or no importance.

Because of the success of our bioethanol business, we have taken it out of the special products segment and created a dedicated segment called CropEnergies for this product line, thereby also improving transparency for shareholders. We have made rapid progress in establishing this business segment and have reached a number of important milestones. Entering the renewable energies business has enabled us to generate growth that adds value. We want to secure tomorrow's market share by investing today. Even though our ambitious goals have not been entirely achievable, our business model has enabled us to prove we can take a leading position, despite abnormal commodity price jumps and the roller coaster political framework. In contrast to competitors, we were able to not only continuously keep our plants in operation, but even expand our production capacity, not least thanks to our concept of being able to use a variety of raw materials. We were thus already able to improve sales in fiscal 2008/09 by 78 %, to € 319 (180) million. The operating profit of € 18 (22) million too is noteworthy given the fact that the factory in Wanze, Belgium, just started operating at the end of 2008. Nevertheless, it is clear that the framework - the political environment - is a key success factor for our bioethanol business.

The special products segment's sales were up substantially, rising 11 % after spinning off the growth driver CropEnergies. Freiberger Group, which targets the pizza market, expanded its production capacity when it purchased a modern facility in Osterweddingen from Schwan´s, thereby securing its market position in this fiercely competitive sector. The BENEO business continues to rapidly become more international. The business unit is taking advantage of the marketing and food trends related to our customers in the food industry. The PortionPack division's entry into the Spanish market promises to be successful. The bioethanol plant started up in Pischelsdorf, Austria, in summer 2008 met expectations, as did the starch segment.

The performance of the fruit segment for the financial year just ended was still predominantly shaped by the distortions associated with the poor apple harvest in 2007 and a slump in sales during the second half of the year in the fruit preparations division as a result of the international economic crisis. We are working flat out to maintain our global leadership position using a flexible corporate strategy that enables us to respond quickly to highly volatile commodity and end product prices.

We are aware that over the past few years, particularly also in 2008/09, we demanded a lot from our employees. Yet the impact of the world economic crisis in 2008 has made especially clear how important it was to quickly address the need for restructuring; e.g., in the sugar segment. The types of solutions we selected at that time would today no longer be economically feasible. Our approach is to openly and collectively come to grips with the upheavals, as well as meet the legitimate expectations of our shareholders, through a particularly strong commitment to performance. Thank you for your trust and partnership, even though the times are difficult.

Yours truly,
Südzucker AG, Mannheim/Ochsenfurt
The Executive Board

Südzucker share and capital market

Capital market environment | Positive reports from German companies and the associated annual general meeting season initially caused the DAX® and MDAX® to move sideways until May 2008, before the global financial market crisis again took center stage with new reports about write-downs in the billions at the international banks. The confidence crisis in the financial sector was reflected in the shrinking gross domestic product (GDP) in the United States, the European Monetary Union (EMU) and Germany in the third quarter of 2008. Negative economic forecasts for 2009 caused stock markets to head southward, and the insolvency of Lehman Brothers Bank in September 2008 caused them to slide even further. The vortex of the global stock markets continued to accelerate thereafter. From September to October 2008 alone, the MDAX® plummeted about 40 %.

Only after the G-20 and EU nations agreed on massive government support of the banking sector and fiscal policy measures to rekindle demand did the stock markets temporarily quiet down at the end of 2008. On October 17, 2008, the German Federal Government established a € 480 billion special financial market stabilization fund (SoFFin) to stabilize the German financial system. The US Fed and the European Central Bank (ECB) both instituted expansionary monetary policies through liquidity injections and reduced prime lending rates (Federal Reserve: from 3.5 to 0.25 %; ECB from 4.0 to 2.0 % in 2008) in order to stimulate bank lending.

Südzucker share data

		2008/09	2007/08
Dividend per share	€/share	0.40[1]	0.40
Dividend yield	%	2.93	2.76
Average share price	€/share	12.02	15.13
High for the year	€/share	15.36	16.66
Low for the year	€/share	7.30	13.38
Closing price XETRA® (record date)	€	13.66	14.50
Average trading volume/day[2]	million of shares	1.3	1.8
Market capitalization as of period end	€ million	2,587	2,746
Number of shares issused at € 1 (common stocks)		189,353,608	189,353,608
Share performance indicators			
Earnings per share	€	0.86	0.10
Cash flow per share	€	2.66	2.63
PE ratio[3]		15.88	–
P/CF ratio[4]		5.1	5.5

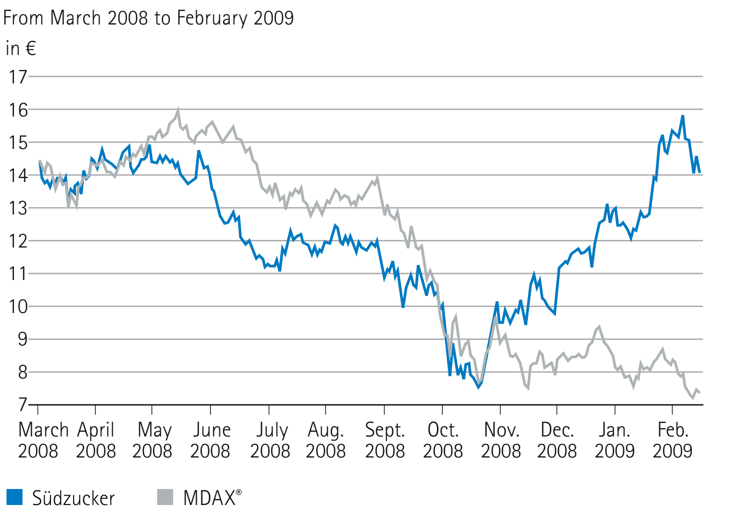
[1] Recommended.
[2] Total daily trading volume on all German stock markets.
[3] Ratio of XETRA® closing price and per-share earnings.
[4] Ratio of XETRA® closing price and per-share earnings.

In the fourth quarter of 2008, increasing risk aversion of investors led to significantly higher risk premiums in the corporate bond market, on the interest rate of risk-free government bonds and a drastic reduction in new issues. During all of 2008, there were only two capital increases valued at over € 500 million in Germany's equity markets and no initial public offerings. The concurrence of a scarcity of refinancing options, sinking domestic demand and declining exports led to a collapse in capital spending, manufacturing and exports, particularly for companies in the export-dependent industrial nations. The global recession manifested itself in successive negative GDP growth rates in the United States (-0.9 % compared to prior quarter), the EMU (-1.0 %) and Germany (-1.9 %) in the final quarter of 2008. The reluctance of private households to consume worsened the deteriorating conditions. Due to the drop in demand, the price of oil dropped from 143 dollars per barrel in June 2008 to 43 dollars per barrel in February 2009. The price for agricultural commodities such as wheat and maize also declined sharply, although the increase in the world market price for sugar was an exception.

The DAX® and MDAX® continued their downward trend in the first two months of 2009, and on the last trading day of Südzucker's financial year, closed at 3,844 (6,748) and 4,608 (9,094) points respectively.

Südzucker's share price performance | During the past financial year, our share price was again affected by unusual challenges, such as the European sugar market regulation reforms and the severe global recession triggered by the financial crisis. Südzucker's share price was stable until the end of May 2008, in line with overall market performance, until it was caught by the undertow of the global financial crisis. Following the insolvency of Lehman Brothers and the share price collapses apparent throughout the world, Südzucker's stock hit a long time low of € 7.30 on October 27, 2008. However, continuous investor communication in numerous one-on-one discussions with institutional and private investors and at various investor road shows helped to generate confidence. The repeated confirmation of our group's outlook had a very positive impact in a steadily deteriorating environment. Investors increasingly looked favorably upon Südzucker Group's rather stable, defensive and non-cyclic business model. Transparency in respect to a solid financing strategy, generous liquidity reserves and Südzucker's profit growth prospects supported the positive tenor towards the stock. Between the end of October 2008 and February 19, 2009, Südzucker's share price doubled

Südzucker share price movement vs. MDAX®



from € 7.30 to € 15.36, while the DAX® and MDAX® were sharply lower during the same period.

Südzucker's stock closed at € 13.66 (XETRA®) on February 27, 2009, the last day of the company's financial year. For Südzucker's 2008/09 financial year, the shares were down 2.5 % from the prior year's € 14.50, including the dividend payment of € 0 .40. The MDAX® and the DAX® lost 49 % and 43 % respectively over the same time period. With a significantly lower volatility than the MDAX® (52-week beta factor of 0.78 versus the MDAX®), the stock's performance was significantly better than the average for not only Germany, but all of Europe. Of the eighty companies listed on the MDAX® and DAX®, Südzucker shares ranked third.

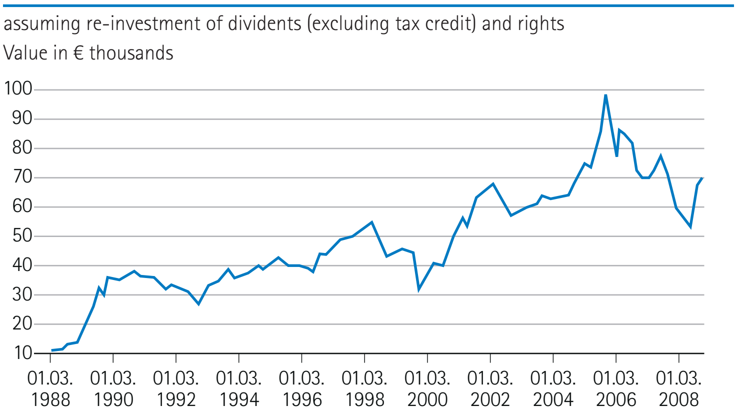
Long-term shareholder value | Stable price performance enabled long-term investors to enjoy strong value growth in their portfolio of Südzucker shares despite the financial market turbulence and severe recession. An investor acquiring 1,589 Südzucker AG shares on March 1, 1988 at a price equivalent to € 6.29 per share or € 10,000, who used cash dividends (excluding tax credits) to re-invest in new shares and participated in capital increases without supplemental cash investments, would have had a portfolio worth € 67,920[1] on February 27, 2009, a cumulative net worth gain of 579 %. Such a portfolio of Südzucker shares would thus have generated an annual average growth rate of 9.5 % compared to an average annualized return of 7.2 % for the MDAX® and 6.2 % per annum for the DAX®.

Market capitalization and indices | At an XETRA® closing price of € 13.66 per share and 189.4 million common shares outstanding, the company's market capitalization at the end of the financial year was € 2,587 billion. Because of the stable price performance in comparison to the overall index, the weighting of Südzucker shares on the MDAX® more than doubled from 1.1 % to 2.5 % in comparison to last year. Other international indices considered important to fund managers on which Südzucker shares were listed as of the period end are the FTSE® EuroMid and MSCI® Germany/Europe. On February 24, 2009, STOXX® Ltd. announced that it was relisting Südzucker on the Dow Jones STOXX® 600 Index as of March 23, 2009. The index lists Europe's 600 largest companies on the basis of free float market capitalization.

The average daily trading volume on all German indices declined in comparison to last year's unusual activity, from 1.8 million to 1.3 million shares or € 15 (28) million per trading day[2]. As a result of the more typical trading volume and a lower average share price of € 12.02 (15.13) per share, the value of shares traded for the year was € 3.9 (6.9) billion.

Shareholder structure | One of Südzucker Group's strengths is the stability of its shareholder structure. Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) continues to be a majority shareholder with a stake of about 55 % of the voting rights, 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, represents Austrian

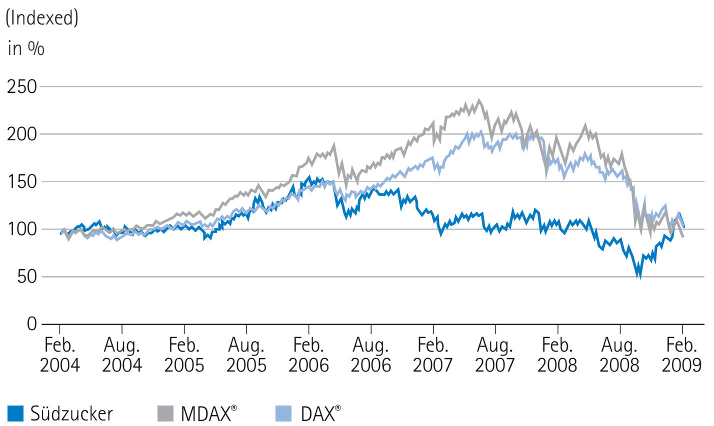
Long-term increase in Südzucker share value



[1] To enable long-term comparison, spot prices on the floor of the Frankfurt Stock Exchange were used.
[2] Source: Deutsche Börse. Total daily volume of shares traded on all German stock markets on which Südzucker shares are listed.

shareholders and owns about 11 % of Südzucker AG. In accordance with article 21, para. 1 of the German Securities Trading Act, AXA S.A., Paris, last announced on February 3, 2009, that it now held 4.79 % of the voting rights below the 5 % threshold of total voting rights. Since this share of voting rights is allocated to the free float, the free float of 189.4 million Südzucker shares outstanding remained constant at 34 %.

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



Investor relations | The challenges of the global financial crisis, recession and EU sugar market reform make it all the more important to provide continuous, transparent, credible and timely information to equity and debt investors. Our investor relations (IR) team continued to provide shareholders a steady stream of high-quality information during the financial year 2008/09 just ended and stepped up communications with bondholders. This is demonstrated by the first ever roadshow dedicated exclusively to bond investors in June 2008. The presentation was subsequently published and the financial strategy described in detail. We have further increased transparency by publishing a liquidity overview in our investor relations presentations on a quarterly basis. They show the development of debt capital and the group's liquidity reserves in detail. In addition, we published brief profiles, prospectuses and terms and conditions of all listed Südzucker bonds on our website.

We reported on the operational and strategic development of the group, as we have always done in the past, in numerous one-on-one discussions, telephone calls and correspondence with institutional and private investors, analysts and rating agencies. Key components of our capital markets communications program included participating at investor conferences in Frankfurt and Munich and our annual analysts' conference in Frankfurt. At the international level, we continued our investor road shows to European financial centers and due to considerable interest, organized for the first time a roadshow and participated in a conference in the United States. Road shows and presentations provided executive board and IR team with an indispensable platform for presenting the company's strategy for coping with the challenges of the EU sugar market reform and the global financial market crisis. This contributed significantly to building trust and expanding the number of investors interested in Südzucker shares.

Once again last fiscal year, the number of analysts covering Südzucker's stock rose, and numerous analyses and reviews of Südzucker's stock were published by these parties, enabling us to expand the circle of investors we address.

We provide all investors with timely information related to our share and bond quotations, corporate news and the financial calendar at Südzucker's website: www.suedzucker.de/de/Investor-Relations/. We also make available quarterly and annual reports for viewing and downloading as of their release date. The contact page enables interested parties to send questions to our Investor Relations team. The presentations used in the road shows and capital market conferences are also available to private investors as a source of information. Finally, we also present audio recordings of the phoneconferences held in conjunction with our quar-

Südzucker share stock market data

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

terly reports for up to four weeks after the statements are released.

Bonds and rating | Südzucker is one of only about forty major German companies with a corporate or bond rating. A rating of this type is a prerequisite for capital market refinancing and provides our company with sources of financing other than bank credit lines when the need arises.

We intensified our dialogue with the leading rating agencies Moody's and Standard & Poor's (S&P) during the 2008/09 financial year. Both rating agencies assigned the company and the bond a negative outlook in their long-term rating effective February 28, 2009, with Moody's issuing an investment grade Baa2 and S&P a BBB. The hybrid bond was rated as Ba1 by Moody's and BB by S&P, the same as last year. Moody's grants the hybrid bond an equity credit of 75 %, while S&P gives it 50 %.

The agencies' long-term ratings reflect the substantial strategic and operational adjustments made by Südzucker to deal with the EU sugar market reform on the one hand, and on the other, the negative outlook recognizes the trend of the key rating indicators, which came under pressure during the last financial year as expected due to the special charges associated with the EU sugar market reform and unusually high commodity costs. The income from the EU restructuring assistance in the amount of € 446 million in the first half of the 2009 calendar year will contribute substantially to improving the rating ratios during the 2009/10 financial year.

Dividend for fiscal 2008/09 | The executive and supervisory boards will recommend to the annual general meeting scheduled for July 21, 2009 that a dividend of € 0.40 per share be distributed. Based on 189.4 million no par shares issued, this will result in a dividend distribution of € 75.7 million.

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)
Hybrid bond 5.25 % 2005 Perpetual NC 10 | € 700 million	
XS 0222524372	**Stock market:** Luxemburg (listed), Frankfurt, Stuttgart, München, Berlin (over-the-counter)

[1] Source: Deutsche Bank, "The Deutsche Bank German Equities Universe".

The dividend yield of Südzucker shares as of the record date of February 28, 2009, based on the recommended dividend distribution of € 0.40 per share and the XETRA® year-end closing price of € 13.66, is therefore 2.93 %. As a result of the unusually stable price performance of Südzucker shares in comparison to other MDAX® companies, the dividend yield is thus lower than the average MDAX® dividend yield of 4.84 %[1], opposite the long-term trend.

Declaration of compliance with German corporate governance code

The mutual declaration of compliance by the executive board and supervisory board for 2008 and prior years are posted on Südzucker's Web site at http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

"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 Governments Code version dated June 6, 2008, with the following exceptions:

Item 4.2.2 (new):
At Südzucker, executive remuneration is handled by a joint committee in which each stakeholder is equally represented. This practice has proven effective, particularly with respect to protecting the interests of individuals.

Item 4.2.3 (new):
Südzucker AG's executive member contracts do not include a severance cap, nor do we see a need for this in future, particularly since there are significant legal concerns regarding such contractual clauses.

Item 5.3.3:
We do not see a need to create an additional nominating committee that would compile a list of recommended candidates for the supervisory board. It is more appropriate that all supervisory board members have the opportunity to participate in selecting candidates from among their peers for said body, as has been the practice to date.

Item 5.4.6:
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."

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

Group revenues and operating profit

Revenues | In fiscal 2008/09, the group was able to boost revenues to € 5,871 (5,780) million. Higher revenues in the first half year were offset by lower revenues in the second half year, particularly in the sugar segment due to the surrendered quotas. The lower revenues in the sugar and fruit segments were more than compensated by the dynamic sales growth in the special products and CropEnergies segments.

Group business performance

		2008/09	2007/08
Revenues	€ million	**5,871.3**	**5,779.6**
EBITDA	€ million	**488.6**	**488.7**
Depreciation on fixed assets and intangible assets	€ million	–230.9	–255.6
Operating profit	€ million	**257.7**	**233.1**
Restructuring/ special items	€ million	87.6	–43.8
Income from operations	€ million	**345.3**	**189.3**
EBITDA margin	%	8.3	8.5
Operating margin	%	4.4	4.0
ROCE	%	5.2	4.7
Investments on fixed assets	€ million	384.3	496.8
Investments on financial assets	€ million	40.1	53.0
Total investments	€ million	**424.4**	**549.8**
Employees		17,939	18,642

Operating profit | The group's operating profit rose to € 258 (233) million in fiscal 2008/09. The declining operating profit in the fruit segment was more than offset by the earnings improvement in the sugar segment. The special products and CropEnergies segments' results came in at the same level as last year.

Group income statement

Income from operations | The positive contribution of € 87.6 (-43.8) million from restructuring and special items in 2008/09 was a major reason income from operations rose by € 156.0 million to € 345.3 (189.3) million last financial year.

Results of restructuring and special items | The result from restructuring and special items totaling € 87.6 (-43.8) million was again driven by the restructuring of the EU sugar market. In March 2008, Südzucker Group gave back an additional 0.26 million tonnes of sugar quota in conjunction with the second wave, for which it received € 141 million from the EU restructuring fund. This is offset by the costs of closing the Raciborz, Wroclaw and Otmuchow factories in Poland, as well as shutting down the beet receiving facility in Hollogne, Belgium. These measures are part of Südzucker's ongoing systematic program to optimize its production structure and thereby cut costs. Last year, the restructuring expenses were for factory closures in Germany, France, Belgium, Poland and Hungary, as well as optimization of the packing organization in France.

Goup income statement

€ million	2008/09	2007/08
Revenues	**5,871.3**	**5,779.6**
Operating profit	257.7	233.1
Restructuring/special items	87.6	–43.8
Income from operations	**345.3**	**189.3**
Income/financial results/loss for the year from associated companies	21.6	23.4
Earnings from financing activities	–135.0	–92.7
Earnings before taxes	**231.9**	**120.0**
Taxes on income	–48.7	–20.3
Consolidated net earnings	**183.2**	**99.7**
thereof Südzucker AG shareholders	162.2	19.5
thereof hybrid capital	26.2	26.2
thereof other minority interests	-5.2	54.0
Earnings per share (€)	**0.86**	**0.10**

In the CropEnergies segment, the result from restructuring and special items of € -11.0 (-5.0) million was mainly due to startup costs for commissioning the bioethanol plant in Wanze, Belgium.

Income from associated companies | Income from associated companies of € 21.6 (23.4) million consists mainly of income from the Eastern Sugar B.V. settlement and the prorated earnings from sales by the sugar sales joint venture, Maxi S.L.R. in Bozen, Italy.

Financial result | The financial result deteriorated from last year by € -42.3 million to € -135.0 (-92.7) million because of increased interest expenses as a result of the higher average indebtedness, plus valuation-related non-cash foreign exchange losses associated with the euro-denominated group financing of our Eastern European companies.

Taxes on income | After deducting income taxes in the amount of € 48.7 (20.3) million, consolidated net earnings for the year were reported at € 183.2 (99.7) million. The tax rate is thus 21.0 %. Last year, the tax rate of 16.9 % was due to a one-time positive impact resulting from German tax reform in 2008.

Consolidated net earnings | Consolidated net earnings amounted to € 183,2 (99,7) million. The € -5.2 million share of consolidated net earnings attributable to other minority interests reflects the loss generated by AGRANA and the co-owners of AGRANA Group.

Earnings per share | Earnings per share rose to € 0.86 per share, compared to € 0.10 per share during the same period last year. This figure includes the one-time impact of the proceeds from the restructuring assistance associated with the second wave in March 2008.

Group cash flow statement

Group cash flow statement

€ million	2008/09	2007/08
Cash flow	**503.8**	**498.0**
Increase (–) in working capital	**–190.0**	**–692.2**
Investments on fixed assets		
Sugar	123.5	141.6
Special products	60.1	165.7
CropEnergies	170.1	146.6
Fruit	30.6	42.9
Total investments on fixed assets	**384.3**	**496.8**
Investments on financial assets	**40.1**	**53.0**
Total investments	**424.4**	**549.8**
Dividends paid	**–133.8**	**–161.5**

Cash flow | Cash flow reached € 503.8 (498.0). The working capital increase of another € 190.0 million during the current year over and above the € 692.2 million last year is primarily marked by the restructuring phase of the SMR. The EU restructuring assistance of € 446 million will not be paid until June 2009. At the same time, the final EU restructuring levy of 113.30 (173.80) €/t or € 377.0 (618.1) million had a negative impact. The cash flow freed up as result of the lower sugar inventories was not yet enough to offset these temporary negative factors.

Investments | Investments on fixed assets (including intangible assets) were cut from € 496.8 million last year to € 384.3 million as per the budget. Investments of € 123.5 (141.6) million in the sugar segment were primarily for replacement items and completion of the raw sugar refinery in Brčko, Bosnia. Capital spending in the CropEnergies segment totaled € 170.1 (146.6) million for the construction of the bioethanol plant in Wanze, Belgium, and expansion of the capacity of the Zeitz bioethanol facility. Investments in the special products segment of € 60.1 (165.7) million and € 30.6 (42.9) million in the fruit segment were primarily for replacements.

Investments on financial assets of € 40.1 (53.0) million related to Yongji Andre Juice Co., Ltd., Yongji, China, a joint venture led by AGRANA Juice GmbH, and AGRANA Studen Sugar Trading GmbH, Vienna, a joint sales venture for sugar in the Balkan countries. In addition, Südzucker was able to acquire additional minority shares of the French company, Saint Louis Sucre S.A., Paris.

Profit distribution | The profit distribution of € 133.8 (161.5) million includes the dividend payment of 0.40 (0.55) €/share, or € 75.7 (104.1) million, to shareholders of Südzucker AG in July 2008. The remaining profit distribution relates to hybrid capital investors and the co-owners of our AGRANA subsidiary.

Group balance sheet

Group balance sheet

€ million	28.02.2009	29.02.2008
Assets		
Non-current assets	4,070.6	4,263.0
Current assets	3,638.0	3,654.4
Total assets	**7,708.6**	**7,917.4**
Liabilities and shareholders' equity		
Shareholders' equity	3,229.4	3,299.5
Non-current liabilities	1,939.9	2,031.8
Current liabilities	2,539.3	2,586.1
Total liabilities and shareholders' equity	**7,708.6**	**7,917.4**
Net financial debt	1,632.5	1,507.6
Equity ratio	41.9 %	41.7 %
Equity to fixed assets ratio II	127.0 %	125.1 %

Assets totaled € 7,708.6 (7,917.4) million, € 208.8 million less than last year.

Current assets declined slightly, down € 16.4 million to € 3,638.0 (3,654.4) million. This includes a drop in € 299.1 million in the value of inventories, which went from € 2,295.7 million to € 1,996.6 million as a result of lower sugar production in the 2008 campaign following the sugar quota surrender. At the same time, reclassifying the EU restructuring fund assistance receivable current assets instead of non-current assets to led to an increase of € 333.4 million in trade receivables and other assets. This item climbed to € 1,301.2 (967.8) million. On the other hand, current securities and liquid assets combined were € 67.0 million less than last year, leaving total current assets almost unchanged.

The decline in non-current assets of € 192.6 million to € 4,070.6 (4263.0) million was mainly caused by the EU restructuring assistance receivable, 100 % of which will be paid in June 2009. It is thus now fully included as a current item. This is offset by the investments for bioethanol facilities, which were completed during the 2008/09 financial year. Fixed assets (including intangible assets) rose by € 49.8 million to € 3,750.1 (3,700.3) million.

Current liabilities declined by € 46.8 million to € 2,539.3 (2,586.1) million. Trade receivables and other liabilities declined by € 219.2 million, primarily due to the drop in the EU restructuring levy liabilities caused by lower quota sugar production and a reduced EU restructuring levy of 113.30 €/tonne for the 2008/09 sugar marketing year. Last year the levy was 173.80 €/tonne.

Net financial debt climbed from € 1,507.6 million to € 1,632.5 million. This increase resulted from the now completed bioethanol production capacity expansions and the unchanged interim high working capital financing requirements resulting from the SMR restructuring.

Of the gross financial liabilities of 2,045.0 (1901.6) million, 56.4 % or € 1,154.1 (1232.6) million is long-term, consisting primarily of corporate bonds. The increase of € 221.9 million in non-current financial liabilities to € 890.9 (669.0) million accounts for the short-term financing requirements in consideration of the outstanding payment of the EU restructuring assistance.

The convertible bond valued at € 250 million due in December 2008 was refinanced by issuing short-term commercial papers and drawing on syndicated credit lines.

There will be a significant decline in net financial liabilities after the EU restructuring assistance of € 446 million has been paid in June 2009. The equity ratio of 41.9 (41.7) % underscores the solid balance sheet.

Impact of the financial and economic crisis on Südzucker Group

The effects of the financial and economic crisis have a limited impact on Südzucker Group. The level of demand in most parts of the food industry, which is less sensitive to economic swings, has remained largely stable to date. Nevertheless, the volatile price fluctuations in the commodity markets present all segments with new challenges in regard to securing their margins and demand appropriate risk management. The now completed investments related to expanding bioethanol production capacities were fully funded at an early stage, so that Südzucker did not have to rely on the capital markets for these monies. Only the group's financing of the Eastern European companies through euro loans resulted in valuation losses due to the weakness of this currency. Südzucker Group's strategic direction proved resilient in the face of the financial market crisis.

Recommendation on appropriation of profits

The executive and supervisory boards will recommend to the annual general meeting on July 21, 2009 that an unchanged 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.

Sugar segment

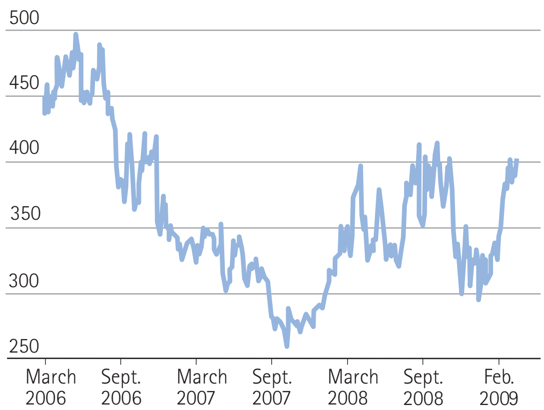
Market developments

Global market

Global market price | At the end of the 2008/09 financial year, the global market price for sugar was about US $ 400 per tonne, almost at the same level as last year. There were a number of volatile phases during the twelve months in between. Toward the close of 2008, even sugar was unable to escape the effects of the financial crisis and reached a low for the year of US $ 295 per tonne. However, little by little the fundamentals returned to the foreground and expectations of lower production quantities in 2008/09 led to an increase in global market prices.

Global market sugar prices

March 2006 to February 2009
London, white sugar, in US-$/tonne, nearest forward trading month



Quantities | The substantial rise in production over the past few years, most of which occurred in Asia, has come to an end for the time being. For the 2008/09 sugar marketing year (October 1, 2008 to September 30, 2009), production is estimated at 157.3 (166.7) million tonnes, which corresponds to a decline of 9.4 million tonnes or 5.6 %. However, global sugar consumption will continue to go up: It is expected to reach 160.9 (158.6) million tonnes, an increase of 2.3 million tonnes or 1.5 %. Production and consumption were thus roughly balanced.

For the 2008/09 sugar marketing year, it is expected that global sugar inventories will decline slightly to 73.5 (77.9) million tonnes or 45.7 (49.1) % of one year's consumption.

European Union

EU sugar production | The Commission is expecting the European Union's total production of quota and non-quota sugar from the 2008 campaign to shrink to 15.3 (17.1) million tonnes for the 2008/09 sugar marketing year. Quota sugar production itself will decline to 13.2 (14.5) million tonnes.

Sugar market regulation | The political goal of the sugar market regulation enacted on July 1, 2006 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 are slated to fall, and sugar quotas are to be reduced by about 6 million tonnes. Quotas were returned against compensation from a restructuring fund to which the sugar industry contributed.

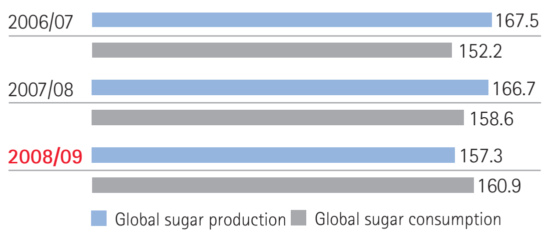
The restructuring fund has been closed since February 1, 2009. In total, about 5.8 million tonnes of quota were returned to the fund, only 0.2 million tonnes short of the Commission's target. The EU Commission has announced that it will review the situation in the EU sugar market again in February 2010 in order to determine whether a final quota reduction is necessary. The current market regulation will be in force until September 2015.

Global market[1]

Key figures	2008/09	2007/08	2006/07
Beet sugar as a percentage to total production (%)	20.3	20.7	21.9
Inventories at 30 Sept. as a percentage of consumption (%)	45.7	49.1	49.7

Sugar production and consumption

1,000 t raw value



[1] F. O. Licht, second estimate of global sugar levels 2008/09 dated 17 March 2009.

Minimum price for sugar beets | Aside from introducing the restructuring fund, a key part of the new sugar market regulation is to gradually reduce sugar beet prices by 2009/10. During the 2008/09 sugar marketing year, minimum sugar beet prices were cut by a further € 1.95 per tonne, or 6.5 %, to € 27.83 per tonne, as per the third price reduction phase of the initiative.

Market withdrawal | The EU commission saw no need for a market withdrawal during the 2008/09 sugar marketing year; for now, this also applies to 2009/10. The EU Commission announced that it will review the assessment of the 2009/10 sugar marketing year in October 2009 based on updated production and import estimates. A decision on market withdrawal can be made up until the end of October 2009.

Production levy | A production levy of 12 €/tonne is assessed for quota sugar, which is jointly paid by companies and farmers. This new rule has been in effect since the 2007/08 sugar marketing year.

Imports from ACP countries and India | The EU has opened its sugar market to ACP countries/LDCs; effective October 1, 2009, no duties will be payable and import restrictions will be lifted for sugar arriving from these countries. However, at the same time, the EU Commission will introduce a special protection clause, which permits reinstatement of protective tariffs when imported sugar quantities reach a certain level.

WTO II negotiations | The WTO II negotiations underway since 2001 have not produced any concrete results. It is unlikely that a conclusion will be reached in the near future. The EU commission's member states have not changed their negotiating position.

Quota sugar recovery budget | Under the terms of its WTO obligations, the EU Commission may continue to permit exports of up to a maximum of 1.374 million tonnes, which it in fact did one more time for the 2007/08 sugar marketing year. Effective September 26, 2008, the Commission stopped issuing export refunds for unprocessed white and raw sugar. This also applies to "Annex I goods" that contain sugar (e.g., fruit and vegetables that have been processed).

Recovery budget for NA-I goods | Sugar in processed products, – "NA-I goods" such as baked goods or chocolate – can continue to be exported until the end of July 2009 and be eligible for a refund. This will be made possible by extending the term of the export license by ten months. Again in 2008/09, 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. The EU Commission has announced that export refunds for NA-I goods will also be eliminated as of the 2009/10 sugar marketing year.

Imports | Imports will be restricted to 3.17 million tonnes for the last time during the 2008/09 sugar marketing year, of which 2.77 million tonnes are primarily attributable to ACP countries/LDCs. As of October 2009, quantity restrictions for these countries of origin will be eliminated. In parallel, the EU Commission has allocated a quota of duty-free imports (TRQ) of industrial sugar that may reach up to 400,000 tonnes of sugar (raw and white sugar) for the 2008/09 and 2009/10 sugar marketing years.

Exports | Exports from the EU to non-EU countries may not exceed 1.374 million tonnes according to the WTO budget. Quota sugar eligible for export refunds could still be exported until February 2009. After that point in time, the only option is to export non-quota sugar, for which the Commission has allocated an amount of 650,000 tonnes for the 2008/09 and 2009/10 sugar marketing years. Going forward, the volume will be redefined annually.

Sugar segment

Business performance

The sugar segment's numbers relate to Südzucker AG, Südzucker Polska, Südzucker Moldova, Raffinerie Tirlemontoise, Saint Louis Sucre and AGRANA. These companies produced 4.2 million tonnes of sugar in thirty sugar factories and three refineries. The plants are located in Germany, Belgium, France, Poland, Austria, Romania, Slovakia, the Czech Republic, Hungary, Bosnia and Moldova. Südzucker is by far the largest sugar producer in Europe, with a share of about 24 % of the EU's sugar quota. Agriculture and animal feed are two other key areas that belong to the segment.

Sugar segment business performance

		2008/09	2007/08
Revenues	€ million	**3,320.1**	**3,464.1**
EBITDA	€ million	**255.4**	**212.8**
Depreciation on fixed assets and intangible assets	€ million	–118.3	–152.3
Operating profit	€ million	**137.1**	**60.5**
Restructuring/ special items	€ million	102.3	–20.3
Income from operations	€ million	**239.4**	**40.2**
EBITDA margin	%	7.7	6.1
Operative margin	%	4.1	1.7
ROCE	%	5.0	2.2
Investments in fixed assets	€ million	123.5	141.6
Investments in financial assets	€ million	26.2	53.0
Total investments	€ million	**149.7**	**194.6**
Employees		8,598	10,043

Revenues | The sugar segment's revenues fell to € 3,320 (3,464) million. At the beginning of the financial year, Südzucker sold the quota sugar from the 2007 campaign. The amount had been produced according to the higher level prior to the quota returns. Under the terms of the EU sugar market regulation reforms, Südzucker had already returned 0.9 million tonnes of quota against compensation to the EU restructuring fund starting in 2008/09. As a result, the amount of sugar that could be produced during the 2008 campaign was a lower 3.2 million tonnes, and since then, sales of quota sugar have declined steadily.

Operating profit | The sugar segment was able to more than double its operating profit to € 137 (60) million. Profitability is still being affected by the EU sugar market restructuring. The improved profit as of February 28, 2009 was driven mainly by a sharp decline in sugar inventory write-offs resulting from the quota return phase in 2008. Sugar prices have been significantly lower than the year prior since October 1, 2008, the start of the 2008/09 sugar marketing year. The missing profit contributions from the quotas returned to the restructuring fund are offset by cost cuts resulting from plant closures, cost reduction measures and the omission of sugar quota write-offs subsequent to the quota returns.

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

A total of 25.0 (28.2) million tonnes of beets were planted on 370,200 (438,500) ha by Südzucker Group in 2008/09. Based on a theoretical sugar yield of 11.7 (10.9) tonnes/ha, 3.90 (4.30) million tonnes of sugar were extracted from beets. The total amount of sugar produced, including refined sugar, was 4.21 (4.58) million tonnes.

2008 Campaign

in 1,000 t	2008	2007	Change in %
Germany	1,530	1,714	-11
Belgium	530	599	-12
France	836	946	-11
Austria	447	379	18
Poland	330	462	-29
Romania	162	167	-3
Slovakia	45	49	-8
Czech Republic	134	101	33
Hungary	66	121	-45
Bosnia	50	-	-
Moldova	82	41	100
Subtotal	**4,210**	**4,579**	**-8**

Beet campaign | Drochia, Südzucker Moldova, was the first factory to start processing beets during the 2008 campaign. AGRANA Austria's Leopoldsdorf factory had the longest campaign at 121 days. Processing continued until January 22, 2009.

Despite late planting, some Südzucker Group regions had record harvests. Beet harvesting and delivery was hampered or delayed in a number of countries because of heavy rainfall. For example, the start of the campaign at Südzucker Moldova's Falesti plant was delayed by thirteen days. In contrast, other regions suffered from dry weather at the beginning of the campaign, which was also problematic for harvesting. For the most part however, conditions were favorable and beets could be delivered to all thirty plants without any noteworthy problems.

EU

Driven by the return of 871,400 tonnes, or 21.3 %, of quota sugar, Südzucker's EU companies cut their beet cultivation area by 16.4 % to 356,700 (426,500) ha. The reduction in quota beet planting could be partially offset by planting industrial beets.

The theoretical sugar yield was 11.9 (11.1) t/ha; 3.8 (4.3) million tonnes of sugar were produced from beets. The total amount of sugar produced, including refined sugar, was 4.08 (4.54) million tonnes.

Germany | Compared to last year, Südzucker AG's beet cultivation area shrank by 9.7 % to 143,200 (158,700) ha.; quota returns totaled 21.3 %. The reduced requirement for quota beets could be partly offset by the higher output of industrial beets, 25 (15) % of the previous contract beets. One hundred (50) % of the ethanol beet allotment (delivery right E) was also slated for planting. Furthermore, beets from which 20,000 tonnes of sugar were produced were again planted during the 2008 season under contract to the Italian sugar producer "Zuccherificio del Molise SpA".

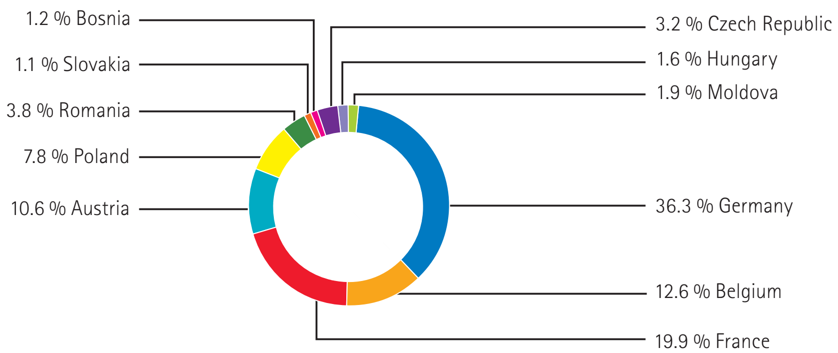
Planting began early, on March 12 in Offstein and Plattling. Further progress was then considerably delayed by a return of winter in mid-March and considerable rainfall in the first half of April. In many areas, May was hot with almost no rain. This dry spell was relatively well managed by early seeding and proper watering of beets planted later on. From June to August, beet development in almost all regions was average to excellent on account of adequate rainfall and rather mild temperatures.

Optimum weather conditions during the months of October and November made beet growth stronger than normal, increased sugar content, and facilitated harvesting, transportation and unloading. Beet processing began between September 19 (Plattling, Rain) and October 1, 2008 (Wabern, Offenau). All plants except Plattling and Brottewitz accepted 24-hour deliveries. In Ochsenfurt, only one-third of the beets from the former Zeil region were delivered around the clock. Trucks are now also being identified by transponders at the Plattling, Wabern and Warburg factories. The system is now standard at all plants (except Zeitz and Brottewitz). During the 2008/09 beet campaign, 9.43 (10.72) million tonnes of beets – including subcontracted quantities – with a theoretical sugar yield of 12.0 (12.1) t/ha were processed at Südzucker's remaining nine factories. The total produced was 1.13 (1.29) million tonnes of crystallized sugar and 0.40 (0.42) million tonnes of beet syrup and runoff for later processing.

Despite the reduced quantity of beets, the duration of the campaign lengthened to 94 (88) days due to the closure of the Groß-Gerau and Regensburg factories.

The cultivation area for organic beets was expanded to 390 (336) ha, a 16 % increase over last year. The yield in the Südzucker region was 46 t/ha, higher than the five year average. The sugar yield was delightfully high at 17.6 (17.3) % given the earliness of the campaign. The organic beet campaign was conducted between September 24 and 30, 2008, prior to the start of the main campaign at the Warburg factory. A total of 3,370 (2,750) tonnes of organic sugar were produced from 23,040 (19,810) tonnes of organic beets. Südzucker's share was 2,590 tonnes from 17,760 tonnes, and the subcontractor Nordzucker produced 780 tonnes from 5,280 tonnes, an increase of about 20 %. Südzucker

Sugar production by region in % – 2008



continues to work on maintaining the level of organic beet cultivation in the existing organic beet operations, and when possible, adding new growers.

Belgium | The cultivation area at Raffinerie Tirlemontoise shrank by 17.4 % to 46,200 (56,000) ha as a result of an 18.5 % quota return and a high sugar inventory carried over from the year prior. The start of planting was delayed in March and during the first half of April due to extensive rainfall and was not completed until the beginning of May. The beets benefited from favorable weather until the middle of July and on average were well developed. The excellent harvest conditions until the end of September deteriorated because of heavy rains, which at times caused beet soil adhesion to increase by up to 20 %. This marked the first time beets were delivered around the clock at the Tienen factory. The Hollogne extraction facility completed its last campaign at the beginning of January 2009.

Based on a theoretical sugar yield of 12.4 (11.5) t/ha, 0.41 (0.45) million tonnes of crystallized sugar and 0.12 (0.14) million tonnes of sugar in the form of syrup and runoff were extracted from a total of 3.20 (3.77) million tonnes of beets. The campaign lasted 111 (94) days, significantly longer than last year.

France | At Saint Louis Sucre, the beet cultivation area was reduced by almost 20 % to 55,800 (69,400) ha because of the high quota return of 28 %. After an initial early start to the planting season during the first ten days of March, the main planting was delayed by three weeks due to rain. Mild spring temperatures in May and June enhanced beet development. Based on an above-average sugar yield of 13.5 (12.6) t/ha, 0.71 (0.82) million tonnes of sugar were produced from 4.90 (5.63) million tonnes of beets, of which 0.30 (0.32) million tonnes were in the form of syrup and runoff. Part of the syrup is used to produce ethanol in Eppeville. A further portion is sold, so that the total quantity stored in liquid form is not crystallized, as is the case in Germany and Belgium. Despite the closure of the Guignicourt factory, it took only 92 (94) days to process the beets because the remaining four factories were able to process a greater volume of beets per day.

Austria | At AGRANA, the beet cultivation area was largely unchanged from last year at 43,100 (42,400) ha, despite a quota return of 13.5 %. Planting began in mid-March 2008, and after a rain delay was largely completed by the second week of April. Beet development was enhanced in May and June by copious rainfall along with quite mild temperatures. Based on a theoretical sugar yield of 12.2 (10.4) t/ha, 0.41 (0.35) million tonnes of sugar were crystallized from 2.91 (2.52) million tonnes of beets; 39,000 tonnes were produced under contract in Hungary and an additional 11,300 (7,000) tonnes were stored in the form of syrup and runoff, which will be crystallized prior to the next beet campaign. A shipment of 0.18 million tonnes of beets went to AGRANA factories in the Czech Republic and Slovakia for processing.

The campaign in both factories started on September 24, 2008 and ended after 120 (103) days on January 22, 2009.

Organic beets were planted for the first time in Austria. Contracts were signed with eighty farmers and the total area under cultivation is 290 ha. Thanks to excellent weather, 15,000 tonnes of beets were harvested, giving a yield of 50 t/ha. These were processed at the Hrusovany factory in the Czech Republic.

Poland | Südzucker Polska surrendered 21.4 % of its quota; the beet cultivation area was reduced by almost one-third to 39,700 (54,600) ha and sugar yield was again above average at 9.4 (9.5) t/ha. The mainly excellent weather and planting conditions resulted in a consistent and above average crop. Poland reported the Südzucker group's largest decline, with beet processing falling by 1.01 million tonnes to 2.17 (3.18) million tonnes. The amount of sugar produced from the beets was 0.29 (0.42) million tonnes, of which 0.03 (0.03) million tonnes are stored at Cerekiew as syrup. Even though the number of sugar factories went from ten to six, the campaign was shorter as 88 (92) days.

Romania | AGRANA Romania did not participate in the quota surrender. The beet cultivation area was 5,800 (6,800) ha, 14.4 % less than the year prior. A further 500 ha could not be harvested because of floods and poor crops. Planting lasted from mid-March to May 2008 due to rain. However, subsequent beet growth was good thanks to warm weather and a good supply of water. Harvesting and around-the-clock delivery went smoothly. Based on a theoretical sugar yield of 5.9 (3.6) t/ha, 0.21 (0.16) million tonnes of beets were processed, from which about 0.03 (0.02) million tonnes of sugar were extracted in a campaign that lasted 55 (61) days. A further 0.13 (0.15) million tonnes of sugar were produced by refining.

Slovakia | AGRANA Slovakia's beet cultivation area dropped to only 3,800 (7,700) ha; that is, only half of the prior year's area, due to the quota return of 26.2 %. Beet development was above average due to favorable conditions and adequate rainfall. Based on a sugar yield of 9.6 (6.3) t/ha and 0.08 tonnes of beets purchased from AGRANA Austria, 0.30 (0.38) million tonnes of beets were processed, of which 0.04 (0.05) million tonnes were crystallized. The campaign lasted 87 (117) days.

Czech Republic | At AGRANA Czech Republic, the beet plantation area was down 5.8 % from the previous year at 12,500 (13,300) ha. AGRANA did not participate in the quota return in the Czech Republic. Planting took place between mid-March and mid-April and beet development in May and June benefited from ample rain and slightly above average temperatures. The sugar yield level of 10.4 (8.5) t/ha was significantly higher than the year prior. Sugar production totaled 0.13 (0.10) million tonnes from 0.84 (0.69) million tonnes of beets, with 0.10 million tonnes of beets purchased from AGRANA Austria. The campaign ended after 97 (83) days on December 31, 2008.

Hungary | At AGRANA Hungary, the beet cultivation area shrank by more than 60 % to 6,500 (17.600) ha as a result of the quota return of 30.7 % and fierce competitive pressure from alternative crops. Planting was carried out under excellent conditions and beet growth was boosted in May and June by ample rainfall. Even though only one factory remains, a considerably higher than average theoretical sugar yield of 11.5 (6.8) t/ha enabled the company to extract 0.06 (0.12) million tonnes of sugar from 0.44 (0.87) million tonnes of beets. In order to produce the amount of quota sugar permitted despite the reduced cultivation area, AGRANA Austria was contracted to supply 39,000 tonnes of sugar. The campaign lasted 70 (67) days.

Non-EU

Moldova | At Südzucker Moldova, the beet cultivation area increased by 11.8 % to about 13,500 (12,100) ha. After an early start to planting in mid-March, with the main planting quickly completed, rainfall delayed completion of the contract to the end of April 2008. About 550 ha of beets were lost due to water and wind erosion. In Moldova too, beet development later benefited from ample rainfall and mild temperatures. The campaign began on September 10, 2008 in Drochia and Falesti started 13 days later than planned due to poor weather. The campaign lasted 93 (59) days. A new central laboratory to determine the sugar content of the beets delivered to the two factories went into service. The theoretical sugar yield was well above average at 7.0 (4.1) t/ha and 0.08 (0.04) tonnes of sugar were produced from 0.55 (0.30) million tonnes of beets.

Bosnia | AGRANA Bosnia refined 0.05 million tonnes of sugar.

Sugar sales

Group

Consolidated total sugar shipments, including non-food industrial sugar, by all group companies reached 4,589,000 (4,622,000) tonnes in fiscal 2008/09, the same level as last year. While sales to the sugar processing industry declined by just under 1 %, shipments to retailers were held at the same high level.

EU

Consolidated total shipments, including non-food industrial sugar, by all EU-based group companies reached 4,498,000 (4,558,000) tonnes of sugar in fiscal 2008/09, 1.3 % less than last year.

The group shipped 3,095,000 (3,143,000) tonnes to the sugar processing industry, only 1.5 % less than last year. Shipments to retailers even increased by 1.2 %.

In Eastern Europe, the continuing strong devaluation of the Eastern European currencies led to distortions that also impacted sugar prices.

The quota return associated with the sugar market regulation reform caused imports to increase and EU exports to non-EU countries to decline. These developments also affected Südzucker Group. For example, while exports from Germany, Belgium and France still played a minor role for the last time, exports from other countries were already negligible last financial year.

The new deficit markets in Italy and Spain continue to be strongly contested. In addition, the situation in the Spanish market changed when British Sugar acquired the Spanish company Azucarera Ebro. The quantity and quality of duty-free sugar that reaches the southern European countries from LDCs/AKP countries as of October 2009 will be of primary importance to these markets. Logistics is a key competitive factor here, since transportation costs constitute as much as 15 % of the value of the goods. Südzucker's European distribution network has thus already proven its worth. It is managed in coordination with our regional distributors and partners. High delivery reliability, flexibility and optimized transportation routes are the most important factors associated with this customer- and cost-driven distribution policy and will support Südzucker's success for many years to come. We have warehouses and container depots that enable us to provide just-in-time delivery in all key EU markets. High-performance IT logistics systems are a prerequisite for efficiently managing the entire logistics chain. For, example, an Internet-based booking system that lets transportation companies book and schedule their own pickup date at our factories was one component of the infrastructure that proved quite successful. After being introduced in Germany, this system is now available for use throughout the group.

The focus is currently on preparing for the imports from Mauritius. A total of about 400,000 tonnes of sugar; i.e., up to 15,000 containers per year are slated to arrive. Staff are working hard to ensure that the required logistics processes and systems will be in place and functional when they are needed.

Germany | In financial 2008/09, Südzucker AG's total sales rose 8.8 % to 1,601,500 (1,472,300) tonnes. Shipments to the sugar processing industry were up 4.2 %. Expansion of sales activities in other EU countries contributed substantially to this growth. Starch sweetener products exerted stronger competitive pressure on our invert sugar syrup over the course of 2008, since the price of the input commodities wheat and corn declined further.

Industrial non-food sugar sales jumped about 40 %. Deliveries to the domestic ethanol industry and shipments to customers in adjacent EU countries rose substantially. Contracts for the 2009/10 sugar marketing year have already been signed. However, further opportunities for this new market segment are being limited by the Commission's decision to permit up to 400,000 tonnes of duty-free sugar to be imported during the current 2008/09 sugar marketing year. The chemical industry as well as the fermentation industry are eagerly availing themselves of this option.

Sales to retailers were down only 1.2 %. The latest market research numbers for the retail food/food service sector indicate that Germany's market shrank 4 % last financial year, which shows that Südzucker has more than maintained its market share in a declining market. In the packaged articles area, a further shift toward brand names and tenable value added concepts is apparent. The raw sugar and special articles segments are reporting growth rates that are also being aggressively stimulated by the promotional business, which is targeted jointly with retailers. Sales of basic packaged goods on the other hand continue to decline slightly. This also applies to icing sugar, where results differed widely during the season in the various regions.

Organic products continue to be especially important to Südzucker, even though sales of organic beet sugar are limited due to competitive price pressure from organic cane sugar.

The new consolidations in the discount sector continue to exert pressure on prices.

Belgium | Total sales by the Tirlemontoise refinery in fiscal 2008/09 were down 15.9 % from the previous year at 548,500 (651,800) tonnes. Shipments to the sugar processing industry fell 19.8 % year-over-year because the markets in Belgium, as well as Holland, were increasingly being subjected to volume pressure, especially by Great Britain, due to their geographic location. In addition, extraordinary events led to a reduction of the budgeted shipments to other EU countries. Sales of non-food industrial sugar soared 75.5 %. This very positive development was largely driven by the deliveries to the Belgian ethanol industry over the course of the year. Sales to retailers could not escape the general trend in Western Europe and slid 6.7 %.

Bulgaria | AGRANA Bulgaria sold 49,600 (32,200) tonnes, 53.8 % more than last year. Shipments to both the sugar processing industry and retailers were up significantly.

France | Total sales by Saint Louis Sucre were posted at 824,000 (1,054,500) tonnes, 21.8 % lower than the previous year. Sales to the sugar processing industry were down 17.8 %. Very aggressive price competition in a number of EU countries shaped our sales strategy. Shipments of industrial non-food sugar dropped because of a 54.6 % lower harvest yield. Südzucker will supply the affected customers from Germany and Belgium. In contrast to results at Südzucker and Raffinerie Tirlemontoise, sales to retailers rose 1.2 %. Slightly declining sales in France were more than compensated by shipments to other EU countries.

Austria | AGRANA Zucker sold a total of 390,600 (416,400) tonnes during the 2008/09 financial year, 6.2 % less than last year. Sales to the sugar processing industry rose 7.7 %, particularly because of significantly higher shipments to adjacent Eastern European countries. Due to shortages, there were hardly any sales of non-food industrial sugar. Retail sales were 3 % lower than last year.

Poland | Südzucker Polska's total shipments came in at 537,900 (432,700) tonnes, an increase of 24.3 %. Sales to the sugar processing industry climbed 24.8 % and an excellent harvest enabled the company to sell 98 % more non-food industrial sugar. Retail sales were also up 2.2 % and contributed to the excellent results. Despite the distortions in exchange rates, which the financial crisis triggered in all European countries, but especially in Poland, prices remained largely stable on a euro basis.

Romania | AGRANA Romania's sales in 2008/09 reached 242,200 (198,500) tonne, an increase of just under 22 %. Sales to the sugar processing industry jumped 53.7 % and retail shipments were up 9.6 %.

Slovakia | AGRANA Slovakia posted total sales of 45,800 (37,200) tonnes, a rise of 23 %. While shipments to the sugar processing industry remained at the same level, sales to retailers expanded by 42.4 %.

Czech Republic | AGRANA Czech Republic's sales reached 115,900 (105,400) tonnes, a 9.9 % increase over the year prior. Sales to the sugar processing industry were up sharply, just under 37 %, while shipments to retailers were down slightly, declining 1.6 %.

Hungary | AGRANA Hungary's total sales of 142,200 (156,900) tonnes were down 9.3 % year over year. Shipments to the sugar processing industry remained steady but retail sales dropped 17.6 %.

Non-EU countries

Bosnia | AGRANA Bosnia posted sugar sales for the first time in the 2008/09. The total amount was 43,500 tonnes.

Moldova | Südzucker Moldova sold a total of 47,900 (64,200) tonnes, a drop of 25.5 %. Sales to both the sugar processing industry and retailers were down.

Agriculture/commodity markets

The agriculture division's responsibilities were expanded to include commodity markets. Because of the deregulation of the European agricultural markets and the increasing interweaving of the world financial markets, it is incumbent on the group to diligently monitor the market situation and implement flexible purchasing strategies for agricultural commodities. The in-house farming activities generate expertise that creates a solid foundation for decision making in this area.

We have been developing a farming operation in Moldova since 2008. The main goal is to ensure that part of the beet supply for the sugar factories is secured by in-house growing operations. At the same time, we are introducing modern farming methods to the cultures where the crops are grown. Improved soil processing and crop cultivation, as well as managing crop rotation, will lead to higher beet and grain yields. In Chile too, the division is offering stronger support to chicory plantations on its own farms; here Südzucker shares its findings with other commodity suppliers. The dry spring in 2008 led to delayed beet emergence at a number of Südzucker's German farms and resulted in below-average yields. The grain harvest was excellent and quality was impressive. A large supply of harvested product was available for sale, in part because the mandatory phase-out of agricultural lands was discontinued. Organic turkey farming was further expanded and organic chickens were raised for the first time.

Animal feed

Molasses pulp and molasses pulp pellets | Due to the strong grain prices, quotations for molasses pulp pellets were also very high at the beginning of the financial year. But starting already in April 2008, signs of a worldwide record grain harvest started to emerge. Ultimately, in Europe alone it was 20 % higher than last year at 312 million tonnes. The financial crisis further exacerbated the situation and led to an unprecedented collapse in grain prices. By the end of 2008, molasses pulp pellets were also caught up in this undertow, with prices dropping by more than half. However, thanks to some very timely contracts already signed in the spring of 2008, there was still some benefit from the initially strong market.

Beet molasses | In contrast to the pulp pellets market, the molasses market situation was comparably quiet during the financial year just ended. The fact that beet molasses are primarily used in the fermentation industry (yeast, citric acid) and are a key raw material that can only be partly replaced by sugar syrup, cane molasses, etc. had a stabilizing effect. At the same time, the amount of beet molasses used in mixed feed dropped sharply as a result of the lower grain prices. The overall very good general conditions, particularly during the first half of the financial year, enabled all of the group's companies to sell product expected from the 2008 campaign in advance at much better terms and conditions 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. The new fertilizer ordinance will limit the amount of fertilizer privately applied to grasslands to 170 kg N/ha, or 230 kg N/ha after approval of an application. A farmer who has approval for using 230 kg must submit to an assessment of the nitrogen level in the soil. BGD has technical approval from the Bavarian regional office for agriculture to conduct EUF soil tests.

Joint research related to soil sampling and environmental protection is conducted by Südzucker, AGRANA and Raffinerie Tirlemontoise in the EUF working group. The working group developed a process for soil sampling that analyzes micronutrients such as iron (Fe), manganese (Mn), zinc (Zn) and copper (Cu), which enables deficient locations to be detected. Studies by BGD show that the amounts of micronutrients contained in organic fertilizers are also important. The goal is to optimize production costs, further improve the quality of the commodity beets and support sustainable and advanced beet production.

Special products segment

Business performance

The special products segment includes the activities of BENEO-Group's (BENEO-Orafti/BENEO-Palatinit/BENEO-Remy), Freiberger, PortionPack Europe and AGRANA's starch and bioethanol business. The CropEnergies division, which was until now part of the special products segment, has been an independent business unit since the 2008/09 financial year.

Special products segment business performance

		2008/09	2007/08
Revenues	€ million	**1,427.4**	**1,283.4**
EBITDA	€ million	**172.1**	**164.4**
Depreciation on fixed assets and intangible assets	€ million	–64.2	–57.3
Operating profit	€ million	**107.9**	**107.1**
Restructuring/ special items	€ million	–3.7	-13.9
Income from operations	€ million	**104.2**	**93.2**
EBITDA margin	%	12.1	12.8
Operative margin	%	7.6	8.3
ROCE	%	8.4	8.8
Investments in fixed assets	€ million	60.1	165.7
Investments in financial assets	€ million	1.7	-
Total investments	€ million	**61.8**	**165.7**
Employees		4,142	3,773

Revenues | The special products segment was able to boost revenues to € 1,427 (1,283) million. This increase was primarily driven by the higher revenues from the bioethanol facility commissioned in June 2008 in Pischelsdorf and revenue growth in the starch division. The starch division was able to sell more product following the completion of the capacity expansion in Hungary and managed to pass most of the dramatic commodity price increases on to its customers in Austria. The Freiberger, BENEO-Group and PortionPack divisions also reported higher sales and revenues.

Operating profit | The special product segment's operating profit came in at € 108 (107) million, slightly better than the year prior. Higher sales by the starch, Freiberger and BENEO-Group divisions are offset by increased energy and fixed costs resulting from the capacity expansion in Hungary for starch. BENEO was able to further improve capacity utilization. The starch division was able to pass on almost all of the higher costs of commodities, particularly grain, to the market. Operating profit was impacted by higher expenses during the commissioning of the Pischelsdorf bioethanol plant. The PPE division was able to hold its own in a difficult market environment.

Performance of the companies

BENEO-Group

BENEO-Group; i.e., BENEO-Orafti, BENEO-Palatinit and BENEO-Remy, produces food additives with recognized dietary and technology benefits, as well as additives for animal feed, from agricultural commodities. The group employs about 900 people and has manufacturing locations in Belgium, Chile, Germany and Italy. The products are marketed in over seventy countries.

BENEO-Group reached its targets during the 2008/09 financial year. Although the company was able to pass on the price increases for commodities and energy to the market, this negatively impacted the above-average growth rates of the first months of the financial year. However, overall sales came in at the prior year's level. The effect of the economic crisis differed among the BENEO-Group's companies. Over the past few months, there was a noticeable decline in daily consumption of some premium products, whereas sales in other segments, such as baby food and cereal, continue to trend higher. Products with value-added benefits that target the increasing health consciousness of consumers offer further growth opportunities.

The new EU Health Claims rules introduced in July 2007 harmonize the use of product claims for food and beverages; they may now only be used for products that truly deliver health and nutrition benefits. BENEO-Group is therefore in discussions with the relevant committees and continues to invest in scientific studies in order to position its product portfolio with appropriate claims and therefore strengthen its competitive position.

BENEO-Orafti

The demand for a balanced diet continues to rise. Prebiotic products are recognized and have been introduced to market. BENEO-Orafti's inulin and oligofructose made from chicory roots are food additives that have specific nutritional and technological advantages. They are mainly used in milk products, baby food and baked goods, but also in cereal bars, beverages and bread. Food producers use Orafti's additives to make products that are balanced and healthy, taste delicious, have fewer calories, offer health benefits and as a whole, cater to consumers' interest in wellness.

BENEO-Orafti was able to achieve further growth in 2008/09 based on this concept. The part of the business that is based on nutritional and health claims continues to grow. This also applies to the United States, where health claims related to digestion are garnering more and more attention.

By combining scientific expertise and knowledge of consumer behavior, BENEO-Orafti has been able to formulate scientific product claims as a user friendly message and thereby position the functional food additives in the market.

BENEO-Orafti owes its success to close cooperation with food producers. The business unit offers these customers comprehensive advisory services related to market launches. The BENEO™ logo appears on almost 360 products around the world, a testament to the success of this marketing concept.

BENEO-Palatinit

BENEO Palatinit was able to successfully defend its market share for the innovative Palatinose™ and galenIQ™ products, as well as its market leadership position with Isomalt, despite stiff international competition. Sales are supported by a comprehensive package of services, such as advice in the area of applications and approvals. It is taking longer to get products to the market launch stage due to the tense international economic situation and the changes in the regulatory environment (EU Health Claims).

The main challenges the business faces in the next few years are continuing to grow the business, among other things by introducing innovative products, and managing the cost increases that cannot be passed on to the market.

Isomalt | Despite intense competition in the overall economic situation, Isomalt continues to be the market leader. Growth remains stable. Further innovative products reached the stage of market readiness in the chewing gum sector and were successfully launched. BENEO-Palatinit has developed innovations for a rather traditional market segment, and offers products such as hard caramels with added benefits (e.g., prebiotic properties).

Palatinose™ | Palatinose™ captured further market share when it was introduced in countless new products. Its long-lasting energy boosting properties and low glycemic impact position the carbohydrate Palatinose™ as an international product, predominately for sports nutrition, energy bars and wellness drinks. Product launches in the nutraceuticals and clinical nutrition areas attest to the interest of other market segments in Palatinose™. In addition, Palatinose™ is recognized as a non-cariogenic carbohydrate and is therefore increasingly being used for innovative tooth friendly products based on ingredients such as chocolate.

galenIQ™ | The pharmaceutical transmitter medium galenIQ™ meets international production standards and has impressive special process properties, above all for manufacturing tablets. Its use as a cost-effective, high performance medication transmitter medium in sachets and capsules has caused its market share to be consolidated. Due to its industry-specific characteristics - time consuming development and approval processes, which are however followed by long product cycles - the market launch of the first medical products containing galenIQ™ is considered to be a particularly special success.

BENEO-Remy

BENEO-Remy's business in 2008/09 was shaped by the developments in the commodity markets. The concurrence of several factors, such as increasing rice consumption, particularly in Asia, water shortages, high energy prices and low inventories led to an unprecedented increase in the price of rice. A number of producing countries reduced or eliminated exports in order to secure domestic supplies and stabilize prices. During the second half year, the situation eased; however, prices were still considerably higher than the year prior. Prices had to be raised to accommodate higher commodity costs, which in some cases affected growth. In the fourth quarter, there was a notable decline in consumption in the premium priced product area. Overall, BENEO-Remy was able to hold sales of rice starch, rice flour and rice derivatives at the prior year's level.

Freiberger

Freiberger Group mainly targets the frozen pizza market. The business unit has been able to strengthen and expand its market leadership position in Europe over the past few years on the basis of its business principles, which are based on quality, performance, innovation and reliability. In addition to frozen pizza, the group develops, produces and markets chilled pizzas, as well as frozen pasta and baguettes. It focuses on house brand products.

By offering solutions specially designed to meet the needs of business partners in the retail, catering and food service operations industries, such as custom recipes or services, as well as a wide assortment of products, Freiberger was able to extend the prior year's business growth into the financial year just ended. Freiberger Group expanded its portfolio by introducing the new Freiberger "Selection" pizza product line, an innovative assortment of premium stone baked pizzas with toppings from brand-name manufacturers such as Gutfried, Zott and Exquisa, and thus underlined the high quality of its products.

Due to the continuing growth in demand for frozen pizzas, Freiberger expanded its production capacity by purchasing a production facility in Osterweddingen, Sachsen-Anhalt. This added operation, together with the remaining production locations at the Berlin headquarters, Muggensturm Baden, in Austria and Great Britain, as well as distributors in France and Poland, put Freiberger in an excellent position to take advantage of further growth opportunities in Europe.

PortionPack Europe

PortionPack Europe Group specializes in packaging and marketing portion packs and offers a wide variety of portioned packages - from conventional sugar packets to baked goods, chocolate, spices and sweeteners, right up to sandwich spreads. The main sales channels are delivery wholesalers supplying the out-of-home market (restaurants, bars and catering) as well as cash and carry companies. The group also serves the industrial market (contract packing), food retailers and the advertising/promotion sector.

Last financial year, PortionPack Europe Group was able to further consolidate its position as the European leader in a very competitive market. By acquiring a competitor in Spain, the group has taken the first step in expanding its central European focus to also address the markets of Southern Europe.

Starch

The starch division comprises AGRANA Starch GmbH, with its Austrian starch business and the potato starch factory in Gmünd, as well as the cornstarch factory in Aschach, plus management and coordination of the international companies in Hungary and Romania in which Südzucker holds an interest. The AGRANA bioethanol business is also organizationally assigned to the starch division.

AGRANA is differentiating itself from European competitors by expanding its product portfolio to include starches with more value added. Innovative, customer oriented products with associated applications consultation, systematic product developments and continuous cost optimization are the reasons for the starch division's success.

In addition, AGRANA has established itself as the leading supplier of organic starches and non-GMO[1] starches for the food industry and a producer of special starches for the paper, textile, cosmetics and pharmaceuticals industry in Europe, as well as a partner to the construction materials industry.

The expansion of its processing capacity, together with increased by-product and retail sales have had a positive impact on revenues, but the first half of 2008/09 was strongly impacted by the turbulence in the commodity markets before the new grain and corn harvests.

In November 2008, the EU's Council of Agriculture Ministers, which was meeting to discuss reforming the common agricultural policy, reached agreement on leaving the existing potato starch market ordinance virtually unchanged for an additional three business years. The current market ordinance will expire at the end of the 2011/12 business year.

Starch Austria | The grain harvest for the 2008 calendar year rose by more than 1 million tonnes to 5.4 million tonnes. About 2.1 million tonnes of corn were harvested from a cultivation area of 194,000 (170,000) ha. Wheat production came in at about 1.6 (1.3) million tonnes.

Contracts were signed for 204,100 (209,300) tonnes of industrial starch potatoes from a cultivation area of 5,500 (5,800) ha. The total contracted quantity, including organic starch potatoes, was 210,000 tonnes. A total of 198,500 (195,400) tonnes of starch and organic starch-based industrial potatoes were processed to make 42,400 (39,900) tonnes of potato starch. An unchanged quota of 47,691 tonnes of potato starch is available for the 2009 season.

Production of stored potato products for the 2008 campaign totaled about 13,000 tonnes of table potatoes and organic industrial potatoes, the same level as the year prior.

At the corn starch factory in Aschach, 335,000 (364,000) tonnes of corn were processed. The amount of newly harvested moist corn was boosted to 107,000 tonnes.

Sales soared to 948,900 (462,900) tonnes, mainly because of strong growth in sales of by-products, which jumped to 423,000 (112,300) tonnes. Sales of in-house produced starch products declined slightly to 278,600 (284,800)

[1] Genetically modified organisms.

tonnes. Sales increases were recorded for plain starches (potato and cornstarch) as well as baby food additives. About 110,400 (98,400) tonnes of industrial starch products were shipped to the paper, cardboard, textile and construction industries. The economic downturn caused starch prices in this area to fall and made it necessary to adjust capacities. Sales of food starch came in at 82,200 (102,600) tonnes. Sharply higher commodity prices at the beginning of 2008 caused sales to decline. By mid-year, some of these losses had been recovered. The unfavorable economic forecasts starting in September 2008 resulted in a sharp price drop for starch and led to stagnating sales.

Starch Hungary | The Hungarian isoglucose quota for the 2008/09 financial year was about 220,000 tonnes. This is allocated 100 % to HUNGRANA, in which AGRANA and Tate & Lyle/ADM each hold a 50 % stake. The quota remains unchanged for the 2009/10 financial year.

After significantly expanding production facilities to reach a processing capacity of 3,000 tonnes of corn per day, the processed quantity rose to about 840,000 (540,000) tonnes of corn for fiscal 2008/09. The excellent corn yield of 186,000 (21,100) tonnes enabled a substantially higher amount of newly harvested moist corn to be processed than the year prior. Expansion in the bioethanol area and the sweetener facility drove an increase in sales, which ended at 390,600 (280,000) tonnes.

Starch Romania | At the Romanian Tandarei corn starch factory, about 16,500 (23,400) tonnes less corn were processed in fiscal 2008/09 than during the previous year. This was driven by lower sales in the first half year due to the high price level. About 7,000 tonnes of newly harvested corn were processed. Higher sales of sweetener products and higher selling prices were able to offset the lower sales numbers during the first half year of 2008/09. At the beginning of the new harvest for 2008, the lower commodity costs had a positive impact on business performance.

Bioethanol Austria | Since May 2008, AGRANA in Pischelsdorf has been operating the only major industrial bioethanol facility in Austria. With a capacity of up to 240,000 m3 per year, it predominantly serves the home market. In addition, the facility produces up to 190,000 tonnes of ActiProt, a certified, premium protein-based animal feed for producing non-genetically modified foods. Wheat, dried corn and triticale are used as input materials, which are supplied under contract as well as purchased on the open market. Processing of high-cost input commodities from the 2007 harvest had a negative impact in the first half year. Fine-tuning of the technical process prior to reaching full production at the end of 2008 also affected the result.

Bioethanol Hungary | In Hungary, a requirement to have 4.4 % by volume of ethanol in fuel came into force on January 1, 2008.

The maximum production capacity at HUNGRANA is presently 187,000 m3 of ethanol annually. The loading of the plant varies depending on the amount of isoglucose being processed. During the 2008/09 financial year, ethanol production was exclusively based on locally purchased corn. At the beginning of the moist corn campaign in September 2008, high-priced corn from the 2007 harvest was still being processed. Since then, ethanol has been produced using significantly cheaper corn from the new 2008 harvest.

In Hungary, HUNGRANA markets the eco-friendly fuel E85 under the brand name E85 Green Power. It contains up to 85 % bioethanol and is sold via independent petroleum companies.

CropEnergies segment

Market developments

Global market and EU | In 2008, global production of bioethanol was 24 % higher than the prior year, reaching 79.0 (63.9) million m^3, of which 83 %, or 65.6 (49.6) million m^3 was produced for the fuel sector. Initial estimates for 2009 are expecting an expansion to more than 90 million m^3. However, this is contingent on the effects of the worldwide financial and economic crisis. Several companies have put their expansion plans on hold, particularly in the United States and Brazil.

The United States significantly solidified its position as the world's largest producer of bioethanol when it expanded production by 38.6 % to 34.0 (24.5) million m^3. Brazil also ramped up production. It climbed 22.5 % to 24.5 (20.0) million m^3.

In the European Union, ethanol production was up 21.4 % to 4.4 (3.6) million m^3. As it was last year, the increase in production occurred primarily in France; however, Germany, Hungary and Austria also recorded substantially higher production levels.

Despite the higher blending quotas, prices in Europe were unable to escape the price developments in Brazil and the United States. After being quoted on the European markets at 565 €/m3 at the beginning of March, in September 2008 bioethanol prices reached their high for the year of about 635 €/m3 FOB Rotterdam. During the second half of the 2008/09 financial year, the price dropped due to the international developments. Several European bioethanol producers brought new plants on line and thanks to significantly lower grain prices, restarted production facilities that had been mothballed. As a result, the bioethanol supply situation in Europe was excellent, which drove ethanol prices down to about 490 €/m3 at the end of the financial year.

Commodities | According to estimates by the US Department of Agriculture dated April 9, 2009, global grain production for 2008/09 (excluding rice) reached 1,780 (1,686) billion tonnes, representing a year-over-year increase of about 5.6 %. As a result, worldwide grain production is once more exceeding consumption, which came in at 1,717 billion tonnes, for the first time since 2004/05. In the European Union, grain production jumped a remarkable 21.1 % to 312.8 (258.2) million tonnes, of which 6.2 million tonnes or 2 % are being used to produce bioethanol.

The world grain market experienced a significant reversal during the 2008/09 harvest year. After a rapid increase in grain prices during the 2007/08 grain harvest year, the current financial year saw an equally dramatic price drop from about 290 €/t for one-month futures at the beginning of March to 138 €/t at the end of February 2009.

Following a record harvest in 2008/09 and the resulting price drop for grain, a moderate decline in grain production is expected for the 2009/10 harvest.

However, indications are that the EU will again have an above average grain harvest for the 2009/10 grain year.

Political environment | In early December 2008, the European Council and the European Parliament reached a compromise on a renewable energy directive and revised fuel quality guideline. In principle, the Council and Parliament followed the recommendation of the European Commission, which had adopted a comprehensive package of measures on January 23, 2008 that aims to implement the climate protection obligations defined by the European Parliament and to promote renewable energies and the European strategy to improve energy supply security.

The legislative package enacted a binding target to increase the share of renewable energies in the EU by 20 %[1] by 2020. In the transportation sector, the share of renewable energy during the same period is slated to rise to 10 percent. The EU has also introduced sustainability criteria to ensure that only biofuels from renewable sources will be used in the transportation sector in the future. Biofuels will be required to generate 35 % by weight lower greenhouse gas emissions than fossil fuels, rising to 50 % by weight by 2017. New biofuel plants built after 2017 will have to cut greenhouse gas emissions by 60 % by weight. In addition to the minimum reductions of greenhouse gas emissions, biofuels must comply with further environmental and social standards. The aim here is to prevent land with a recognized high ecological value (e.g., forests and protected areas) from being used to produce raw materials for biofuel production.

This amendment to the fuel quality directive establishes the practical framework for introducing E10 fuel throughout the European Union; that is, a blend of 10 % by volume of bioethanol to gasoline. In April 2009, France became the first EU member state to introduce E-10 fuel.

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

Now that the climate and energy package has been adopted, the twenty-seven member states have been charged with integrating the regulations into their respective national legal frameworks.

Compulsory ratios of biofuels in diesel and Otto engine fuels have been in force in Germany since the enactment of the Biological Fuel Quota Law in 2007. While the bioethanol used to achieve quotas is subject to the full amount of the fuel tax, bioethanol used to produce E85 will remain exempt until 2015.

In 2008, the German Federal Government launched several legislative biofuels initiatives. On April 4, the Federal Ministry for the Environment withdrew plans to increase the compulsory minimum bioethanol blend ratio from 5 to 10 % per volume. The higher percentage is the usual level in the United States. As a result, the Biofuel Quota Law amendment included in the draft legislation, which would have required the percentage of biofuel to be 17 % by 2020 and was intended to fulfill energy and climate policy targets, was abandoned. Instead, a second draft of the legislation included a recommendation to reduce the total quota for diesel and gasoline from 6.25 to 5.25 % and to raise it back to 6.25 % as of 2010. In addition, the goal is that after 2015 biofuel ratios will no longer be established according to their calorific value, but instead will be defined according to their greenhouse gas emission savings. Accordingly, greenhouse gas emissions savings for fuels will increase from 3 % in 2015 to 7 % in 2020. Because of the European Commission's trade policy concerns and a confrontational debate in the house, the proposed legislation was not passed by Germany's Bundestag until the end of April 2009.

Business performance

As of the fourth quarter of 2008/09, CropEnergies has been operated as an independent Südzucker Group segment managing the bioethanol activities in Germany, Belgium and France.

Revenues | The new CropEnergies segment was able to boost revenues by 78 % to € 319 (180) million. On June 30, 2008, CropEnergies acquired Ryssen Alcools. Organic sales growth reached 48 % and despite declining income from ethanol rose more than 73 % to 482,000 m^3 due to higher bioethanol sales. This includes an increase in trading goods to about 110,000 m^3 because of increased sales of Austrian bioethanol and subcontracted product sold prior to the capacity expansion.

CropEnergies segment business performance

		2008/09	2007/08
Revenues	€ million	**319.3**	**179.6**
EBITDA	€ million	**28.6**	**30.9**
Depreciation on fixed assets and intangible assets	€ million	–10.4	–8.9
Operating profit	€ million	**18.2**	**22.0**
Restructuring/ special items	€ million	–11.0	-5.0
Income from operations	€ million	**7.2**	**17.0**
EBITDA margin	%	9.0	17.2
Operative margin	%	5.7	12.2
ROCE	%	8.2	10.0
Investments in fixed assets	€ million	170.1	146.6
Investments in financial assets	€ million	0.6	-
Total investments	€ million	**170.7**	**146.6**
Employees		272	130

Operating profit | The CropEnergies segment generated an operating profit of € 18 (22) million in a difficult environment. Despite the significantly higher commodity costs and declining income from ethanol, CropEnergies was able to limit the decline in profit through strong volume growth and by utilizing the inherent cost advantages of the business. These include high plant loading, the ability to use a variety of input raw materials as well as natural hedging of grain price increases thanks to higher revenue from the by-product ProtiGrain®. The costs of commissioning the plant expansion in Zeitz in July 2008 and the new bioethanol plant in Wanze since December 2008 weighed on profits.

Performance of the companies

CropEnergies AG directly or indirectly owns 100 % of CropEnergies Bioethanol GmbH, Zeitz, Germany, BioWanze SA, Brussels, Belgium, and Ryssen Alcools SAS, Paris, France.

CropEnergies Bioethanol GmbH operates Europe's largest bioethanol facility in Zeitz and has been producing bioethanol, the animal feed ProtiGrain®, as well as steam and electricity there since 2005. During the 2008/09 financial year, work on expanding the production capacity to 360,000 m^3 of bioethanol and 260,000 tonnes of ProtiGrain® per annum was completed when the second production line to process sugar syrup was started up.

BioWanze SA has been operating a plant to produce bioethanol, gluten, protein animal feed and electricity in Wanze, Belgium, since December 2008. It has an annual production capacity of up to 300,000 m³ of bioethanol, more than 55,000 tonnes of gluten and about 200,000 tonnes of protein animal feed. The biomass power plant that is part of the factory generates the majority of the process energy required. To date, this concept is unique. The bioethanol produced using this innovative energy concept reduces CO2 emissions by 70 % in comparison to fossil fuels and thus already today exceeds by a considerable margin the EU sustainability standards that will come into force in 2017.

Ryssen Alcools SAS operates a plant in Loon Plage near Dunkirk, France. The facility has an annual capacity of 80,000 m³ for rectifying raw alcohol, 100,000 m³ per year for dehydration and a tank storage capacity of 20,000 m³. Ryssen was integrated in November 2008 with the acquisition of 100 % of its shares. Ryssen produces and sells a broad range of products for customers in a wide variety of industries. Rectification activities for traditional and technical applications as well as the dehydration for the fuel sector proceeded according to plan. Ryssen's customers include famous names in the beverage industry, as well as the cosmetics, pharmaceutical and chemical sectors.

Commodities | During the financial year just ended, CropEnergies took advantage of the flexibility of its production systems and continuously matched the input raw materials to the commodity market conditions. Blanket orders for the plants in Zeitz and Wanze were signed early to ensure a supply of adequate quantities of material. CropEnergies also used derivative financial instruments to a greater extent in order to limit the price risk for grain. The availability of sugar syrup is partially secured by long-term supply contracts. The integration of Ryssen into CropEnergies Group generates synergies between the trading businesses and the procurement of raw alcohol. CropEnergies regularly consults with commodity experts inside and outside Südzucker Group to keep track of the developments in the grain, sugar and animal feed markets.

Production | In fiscal 2008/09, CropEnergies boosted bioethanol production by more than 77 % to 436,000 (247,000) m³. This is the outcome of the successful capital spending program launched in 2006, which included the startup of the new plant in Wanze, a second production line in Zeitz and the integration of Ryssen. Production of the protein-based fodder ProtiGrain® increased by 16 % to 221,000 (190,000) tonnes.

Bioethanol sales | CropEnergies increased sales of bioethanol by about 73 % to 482,000 (279,000) m³. About 110,000 (43,000) m³ of this total consisted of trading goods. The increase in trading goods results from the sales of Austrian bioethanol as well as trading goods sold prior to the capacity expansion to win new customers. In Belgium, the business unit was able to sign contracts with local petroleum companies.

Purchasers included large and medium-size petroleum companies as well as independent ETBE producers. The customer base was also further expanded. The business unit focused on domestic sales to take advantage of the existing logistics infrastructure.

The tank storage facility in Duisburg, Europe's largest inland harbor, has improved the company's ability to supply refineries along the "Rheinschiene" [along the Rhine River] and distribute the E85-grade fuel CropPower85 to German gas stations. The tank storage facilities at the production locations, the leased storage facilities in Rotterdam and its logistics network give CropEnergies an outstanding market position in Europe.

Sales of the premium grade fuel CropPower85, which is used in Flexible Fuel Vehicles (FFVs), are growing faster than the overall market. The business unit is further strengthening its leadership position for E-85 fuel in the German market. Because the bioethanol contained in E 85 is petroleum-tax exempt until the end of 2015, there is enormous potential for growth. More and more Flexible Fuel Vehicles (FFVs) vehicles, which can be operated using bioethanol/gas mixtures with a bioethanol component of about 85 %, are being offered, also in Europe.

In order to speed up the distribution of E85 fuel, CropEnergies has introduced a program that includes, for instance, promoting the expansion of the E85 gas station network in Germany. At the end of February 2009, already one-quarter of the 230 existing E85 gas stations and Germany were offering CropPower85.

Animal feed sales | CropEnergies expanded its product portfolio after starting up the production facility in Wanze. By refining non-digestible materials to make high-quality products, CropEnergies is utilizing all constituents of the input materials used.

The high-quality protein-based animal feed by-product ProtiGrain®, which is produced in Zeitz and sold throughout Europe by dealers, has become a permanent ingredient in animal feed thanks to its outstanding quality. Total sales of ProtiGrain® climbed by more than 15 % from the prior year's level, to 219,000 (189,000) tonnes. In spite of the difficult market environment, ProtiGrain® continued to demonstrate market strength.

Over 55,000 tonnes of gluten and 200,000 tonnes of condensed distillers' solubles (CDS) marketed under the brand name ProtiWanze® can be produced annually as by-products of the grain-based bioethanol production process at the plant in Wanze. The gluten is sold via the global distributor network of BENEO-Orafti, a Belgian subsidiary of Südzucker AG, under the brand name BeneoPro W.

Fruit segment

Business performance

AGRANA indirectly owns all shares of 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., Paris, France (fruit preparations) and AGRANA Juice Holding GmbH, Gleisdorf, Austria (fruit juice concentrates).

In the fruit segment, AGRANA's objective is to secure its strong global market position and round out its global market presence. This is being accomplished through organic growth as well as acquisitions in acquiring shares in other companies.

In fiscal 2008/09, the business climate in the fruit segment was shaped by the after effects of the prior year's commodity price turbulence and weaker demand for brand name products in the dairy sector due to the economic situation.

Fruit segment business performance

		2008/09	2007/08
Revenues	€ million	**804.5**	**852.5**
EBITDA	€ million	**32.5**	**80.6**
Depreciation on fixed assets and intangible assets	€ million	–38.0	–37.1
Operating profit	€ million	**–5.5**	**43.5**
Restructuring/ special items	€ million	–	–4.6
Income from operations	€ million	**–5.5**	**38.9**
EBITDA margin	%	4.0	9.5
Operative margin	%	-	5.1
ROCE	%	-	5.6
Investments in fixed assets	€ million	30.6	42.9
Investments in financial assets	€ million	11.6	-
Total investments	€ million	**42.2**	**42.9**
Employees		4,927	4,696

Revenues | The fruit segment's revenues fell to € 805 (853) million. This decline was driven by the significantly reduced revenues from apple juice concentrates due to lower apple prices following the significantly better apple harvest in 2008. In addition, sales of fruit preparations were down because of the deteriorating economy and tougher competition.

Operating profit | The fruit segment's operating profit dropped to € -5 (44) million. The main reason was the dramatic decline in revenues from apple juice concentrates after the start of the financial year in expectation of a considerably better apple harvest in 2008. Because of these lower sales prices, it was no longer possible to sell the apple juice concentrate inventories produced the previous year using high cost input materials at a level that covered costs. As a result, the existing inventory of apple juice from the previous harvest had to be depreciated by € 32 million at the half-year mark of the financial year. In addition, the second half of the year, sales declined as a result of the deterioration in the economy and the revenue developments for fruit preparations.

Performance of the companies

AGRANA Fruit (fruit preparations) | AGRANA is the world's leading producer of fruit preparations for the dairy, baked goods and ice cream industries. AGRANA has a total of twenty-five production locations for fruit preparations in nineteen countries. After expanding its capacity in Brazil and introducing additional new products, AGRANA was able to demonstrate its world leadership position for fruit preparations again in 2008/09. The business unit is on a long-term growth track as a result of increasing health consciousness and affluence in the emerging markets.

AGRANA's goal is to offer global and regional customers in the fruit preparations business the world's best product quality and top service, as well as innovative ideas and expertise surrounding product developments, all under the brand name "AGRANA".

AGRANA's global purchasing company, which centrally coordinates and processes fruit procurement, proved its worth. Since the 2008/09 financial year, sweeteners for the US production facilities have also been procured centrally. A local sourcing unit was also successfully implemented in China.

The main fruit used in AGRANA's fruit preparations is strawberries. They constitute over 40 % of the total fruit volume. The strawberry season started in Mexico, Morocco and Poland at the same high price level as the year prior. Weakening demand and high inventories caused prices to drop dramatically by the end of the financial year. Price developments for other types of fruits (raspberries, wild blueberries, stone fruit, pome fruit, tropical fruit) were varied. For the upcoming 2009/10 financial year, AGRANA is expecting prices for fruits, both for the fresh and industrial markets, to decline overall as a result of weaker demand due to the economic situation.

Higher food costs for the year just ended made consumers more price-sensitive. In spite of this, the company was able to slightly raise prices for fruit preparations. Due to a shift in demand from brand-name to brand-labeled products with lower fruit concentrations, sales declined. Not only higher prices for milk products, but also some extraordinary events such as farmers suspending milk deliveries were decisive factors.

Continuous improvements and a particular focus on commodity quality and energy consumption optimization; e.g., reducing or eliminating food spoilage or energy inefficient processes, will be key to sustained higher profitability.

The production facility in Kaplice, Czech Republic, was shut down in August 2008 and the previous output volume moved to existing, larger factories in Austria and Germany, which improved their competitiveness.

Over the past few years, smoothies (blended fruit drinks with a high concentration of fruit) have become a successful product in the convenience sector. This has led to a noticeable increase in demand for puréed fruit, particularly exotic fruits like bananas, mangoes, guava, papaya, passion fruit and pomegranate.

AGRANA Juice (fruit juice concentrates) | AGRANA is one of the leading producers of apple and berry fruit juice concentrates in Europe, with ten European production locations. It is the only European producer with two 50 % joint ventures in China. The company's strategic objective is to expand its market share beyond Europe by positioning itself in important commodity markets and to further expand the "AGRANA" brand as the leading quality supplier of fruit juices and fruit juice concentrates in the industrial sector.

Thanks to an excellent European apple and berry harvest, as well as an outstanding Chinese apple harvest, AGRANA was able to keep its twelve factories quite well loaded despite significantly lower commodity prices. As a result, the total volume of fruit processed (apples and berries) was significantly higher than the year prior.

At the beginning of the 2008/09 financial year, sharply higher prices for fruit juice driven by the higher cost of commodities resulted in shifting market and consumer behavior. Instead of signing annual contracts, the major wholesalers resorted to shorter-term agreements. High inventories and a sharp drop in prices forced AGRANA to write down apple juice concentrate inventories by € 32.4 million.

Sales of fruit juice concentrates in financial 2008/09 were below the prior year's level.

In order to avoid future write-downs, prices for production output from the 2007 and 2008 campaigns were largely fixed in advance. AGRANA optimized its customer base and contract policy, as well as expanding its offering in the medium and small volume segment. It is also penetrating new markets in order to reduce its dependency on just a few markets and their associated cycles.

In spring 2008, the Polish production facilities were reorganized. Initiatives to improve the cost structure and improve flexibility in view of future market fluctuations were also launched at the other concentrates production locations.

Since the majority of AGRANA's juicemaking facilities are located in the eastern European commodity regions (Hungary, Poland, the Ukraine, Romania), there were currency exchange losses due to the volatility of these countries' currencies in fiscal 2008/09. These losses relate to non-realized currency effects resulting from conversion of euro denominated loans into the local currencies.

Events after the balance sheet date

In April 2009, Südzucker AG placed a promissory note valued at € 150 million. It has a term of five years.

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 toward entrepreneurial 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 processes and is defined by the executive board. The parent company 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 focus of the strategy to control shareholdings is to monitor the segments' and business divisions' strategic plans. Significant developments influencing the business are reported and assessed. Opportunities and risks are considered based on market and competitive analyses, and these form the bases for management decisions.

The achievement of business objectives is reviewed as part of the investment controlling process, which means group companies can be managed using standardized key indicators. It evaluates the investment portfolio with the aim of optimizing the investment structure and helps with acquisitions and disposals.

Effective controlling systems have been implemented to monitor operational risks.

The executive board is kept up to date via a group-wide monthly reporting system and, if necessary, via ad hoc reports. The monthly reports regularly provide updates regarding market developments and risk reports related to the procurement, financial and currency risks to which the individual divisions are exposed. A sensitivity analysis is included. Südzucker Group updates its earnings projections for the current financial year quarterly. In addition, the company has an integrated five-year business plan and budget for the income statement, earnings per share, cash flow and the balance sheet for the group as a whole. Working capital, capital employed and financial debt can be derived from the budgeted balance sheet. Liquidity management is based on the monthly budgets included in the plan.

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 conformity of the business processes, together with the effectiveness of the internal control system.

Internal control and monitoring of the accounting system

The internal monitoring system comprises the principles, processes and programs required to ensure that the accounting system is effective and efficient, that it functions properly and that key legal directives are adhered to. Südzucker's internal control system is designed to ensure that the financial reporting system is reliable and that the externally published financial statements are accurate. Group-wide directives regarding valuations and the balance sheet ensure that Südzucker Group's accounting system is applied consistently throughout the organization. New standards and changes to existing accounting standards are immediately examined for their impact on Südzucker Group. Südzucker Group uses standardized wide-area IT systems, a group-wide chart of accounts and a comprehensive, regularly updated set of guidelines. The monthly, quarterly and annual financial statements of the group's companies are regularly analyzed by the group using an innovative group-wide planning and reporting tool. The annual financial statements of the companies subject to statutory audits are reviewed by independent public auditors. The annual financial statements of the remaining companies are reviewed by the internal auditors. Before integrating the internal control systems of newly acquired companies, they are analyzed to ascertain whether they meet the high standards of Südzucker Group.

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, effective from July 1, 2006 and valid through September 30, 2015, is particularly important to Südzucker. Key elements of the new market regulation included the dramatic drop in EU sugar and beet prices, the introduction of reference prices, as well as the reduction in EU sugar production and the almost complete surrender of world market exports. These were all necessary to address the import obligations agreed by the EU. Quota sugar production in Europe was reduced by about 6 million tonnes by means of quota returns, from about 18 million tonnes of quota sugar to about 12 to 13 million tonnes.

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. The EU commission eliminated export refunds for sugar as of the beginning of the 2008/09 sugar marketing year. As a result, the rules for exporting products containing sugar will also have to be revised. Customs duties on imports from the LDCs were reduced a further 30 % to 20 % effective July 1, 2008. However, sugar imports from the LDCs did not increase significantly during the 2008/09 sugar marketing year. Effective October 1, 2009, customs duties will be eliminated completely. 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.

There is a new market opportunity to produce "industrial sugar" as a raw material for bioethanol production, as well as an input material for the chemical, pharmaceutical and fermentation industries. This new, non-regulated market is only open to particularly competitive producers.

No progress has yet been made on completing WTO-II negotiations, which have been underway since 2001. After several days of negotiations on further reducing trade barriers related to industrial goods, services and agriculture, the World Trade Organization meeting ended abruptly on July 29, 2008 without achieving any results. The Ministers' Conference that had been planned for December 2008 was canceled at the last minute because the issues resulting from the technical discussions leading up to the conference could not be resolved. It is unlikely that the negotiations will be concluded in the immediate future.

The EU commission is also currently negotiating with other nations (South Korea) and communities of nations (Andes Community, Central America) in an attempt to define possible free-trade agreements. Sugar is currently defined as a sensitive product in existing trade agreements. In the event sugar and sugary products are not defined as sensitive products during the course of these new negotiations, additional sugar could be imported free of duty into the European Union from the subject countries in quantities that would be defined in terms of import quotas negotiated as part of the agreement.

Guideline for renewable energies | In early December 2008, the European Council and the European Parliament reached a compromise on a renewable energy directive and revised fuel quality guideline. In principle, the Council and Parliament followed the recommendation of the European Commission, which had adopted a comprehensive package of measures on January 23, 2008 that aims to implement the climate protection obligations defined by the European Parliament and to promote renewable energies and the European strategy to improve energy supply security. The legislative package enacted a binding target to increase the share of renewable energies in the EU by 20 %[1] by 2020.

In the transportation sector, the share of renewable energy during the same period is slated to rise to 10 percent. This binding blending target includes not only biofuels, but also all other types of renewable energies used by the transportation sector; e.g., also electricity and hydrogen from renewable sources. The EU has also introduced sustainability criteria to ensure that only biofuels from renewable sources will be used in the transportation sector in the future. Biofuels will be required to generate 35 % by weight lower greenhouse gas emissions than fossil fuels, rising to 50 % by weight by 2017. New biofuel plants built after 2017 will have to cut greenhouse gas emissions by 60 % by weight. In addition to the minimum reductions of greenhouse gas emissions, biofuels must comply with further environmental and social standards. The aim here is to prevent land with a recognized high ecological value (e.g., forests and protected areas) from being used to produce raw materials for biofuel production.

The European Commission will report every two years on the degree to which the sustainability criteria are being met, as well as the food situation, particularly in developing countries. The first report is due in 2012. There is still a need to clarify indirect land-use changes associated with evaluating the greenhouse gas effects. The Commission was therefore tasked with preparing recommendations by the end of 2010 on how to minimize the undesirable effects of indirect land-use changes when producing raw materials for biofuel manufacturing. Existing EU regulations already ensure that agricultural commodities and the biofuels made from them are sustainably produced in the European Union (cross compliance).

The commission also decided to amend the fuel quality guideline in parallel with the renewable energy guideline. This amendment establishes the practical framework for introducing E10 fuel throughout the European Union; that is, a blend of 10 % by volume of bioethanol to gasoline. In other countries, such as the United States, gasoline already contains 10 % bioethanol by volume, whereas in Europe, the minimum mix ratio is currently 5 % by volume. In addition, gasoline producers will have to cut greenhouse gases emitted by their fuels by 10 % by weight by 2020. A large part of this is to be achieved by using biofuels. In April 2009, France became the first EU member state to introduce E-10 fuel.

Now that the climate and energy package has been adopted, the twenty-seven member states have been charged with integrating the regulations into their respective national legal frameworks.

Germany

Compulsory ratios of biofuels in diesel and Otto engine fuels have been in force in Germany since the enactment of the Biological Fuel Quota Law in 2007. For biofuels that replace gasoline; e.g., bioethanol, the compulsory quota based on energy content was 2.0 % of gasoline consumption for 2008. 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. While the bioethanol used to achieve quotas is subject to the full amount of the fuel tax, bioethanol used to produce E85 will remain exempt until 2015.

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

In 2008, the German Federal Government launched several legislative biofuels initiatives. On April 4, the Federal Ministry for the Environment withdrew plans to increase the compulsory minimum bioethanol blend ratio from 5 to 10 % per volume. As a result, the Biofuel Quota Law amendment included in the draft legislation, which would have required the percentage of biofuel to be 17 % by 2020 and was intended to fulfill energy and climate policy targets, was abandoned. Instead, a second draft of the legislation included a recommendation to reduce the total quota for diesel and gasoline from 6.25 to 5.25 % and to raise it back to 6.25 % as of 2010. In addition, the goal is that after 2015 biofuel ratios will no longer be established according to their calorific value, but instead will be defined according to their greenhouse gas emission savings. Accordingly, greenhouse gas emissions savings for fuels will increase from 3 % in 2015 to 7 % in 2020.

However, because the European Commission had concerns regarding trade policies, the draft legislation to amend the biofuel quota law was not approved. Because of the European Commission's trade policy concerns and a confrontational debate in the house, the proposed legislation was not passed by Germany's Bundestag until the end of April 2009.

As part of the notification, the Commission halted implementation of the Biomass Sustainability Ordinance, so that it could prepare a catalog of sustainability criteria to accompany the renewable energy guidelines and find a common ruling for the European Union. Now that the sustainability criteria have been adopted by the EU, the Federal Government must enact commensurate German laws.

On January 30, 2009, new regulations regarding the properties and specification of fuel qualities came into force in accordance with the revised 10th Ordinance for the Implementation of the Federal Emission Control Act. Germany's Federal Government introduced this new legislation to ensure that only E85 fuel that meets the requirements of the fuel standard for E85 fuel (DIN 51625) can be sold. In addition, publication of the DIN fuel standard 51626 established the necessary technical prerequisite for introducing E10; that is, gasoline with a blend ratio of up to 10 % bioethanol by volume. However, the Federal Government has not yet taken this development into consideration in its directive. Instead, E10 may initially only be sold at company gas stations. The opportunities that the European fuel quality guideline offers were therefore not yet taken into consideration.

Operational risks

As an international 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 also be affected by weather conditions. As a result - despite their geographic distribution - agricultural raw materials may under certain circumstances only be available in small quantities. Furthermore, these raw materials - particularly grain - are subject to price fluctuations that cannot be passed on to our customers. These risks affect mainly the CropEnergies and fruit segments and the BENEO and starch divisions.

By far the largest cost factors for production, particularly of bioethanol, are the raw materials required. The prices for wheat and corn can fluctuate significantly. The strategy for purchasing grains is thus 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, we expect that we will be able to partially offset rising grain prices by higher selling prices for the byproduct ProtiGrain®, a high-quality straight feedstuff.

Sugar syrup is an alternative input material to grain and corn, whose availability is secured by delivery rights. It is being increasingly used since it offers a further opportunity to compensate for rising grain prices.

The company's global presence in the fruit segment and its knowledge of supply markets enables it to limit or counter price volatility associated with bottlenecks in commodity supplies. A central fruit segment purchasing department analyzes the global commodity markets and responds specifically to commodity bottlenecks and quality variations. Given the different harvest cycles in the main agricultural regions, long-term supply contracts have been signed with suppliers and customers in order to ensure a steady year-round supply. This ensures consistent high quality, as well as reliable delivery that ensures production can proceed as planned. Nevertheless, there is a risk of a significant rise in the cost of input materials such as apples, berries, etc. when harvests are negatively affected by weather or disease.

The sugar segment is exposed to procurement risks as a result of reduced beet prices and competition from industrial beet growers with the remaining field crops. Our beet growers' plans are geared toward completely fulfilling the quota beet and ethanol beet delivery rights they were issued. 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 | Key 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 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 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.

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

Personnel risks | Südzucker Group competes intensely with other companies for trained personnel. In order to protect Südzucker's position when competing for qualified employees, we emphasize the attractiveness of Südzucker Group as an employer through our human resources management policies, which are aimed at encouraging specialists and managers to stay with the company for a long time. In addition to attractive social benefits and compensation policies, we offer a wide range of opportunities in the Südzucker group, such as advanced and continuing education courses, trainee programs and possibilities to work for various group companies.

Other operating risks | The importance of other operating risks that may arise in the production, logistics, research and development areas are comparatively minor. Südzucker mitigates risks through constant monitoring and continuous improvement of its business processes.

Legal risks

Südzucker Group is currently not involved in any legal disputes that have a material impact on the group's business situation. However, various lawsuits are pending against Südzucker AG or the group's companies. Accruals are being formed to cover the legal costs for these proceedings. Accruals for the lawsuit risks are formed when the likelihood that the company will be liable and the extent of the liability can be adequately determined. The final outcome of individual proceedings may affect earnings during a particular reporting period, but the potential associated liabilities would have no long-term impact on the 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.

In March 2009, the Federal Antitrust Authority launched an inquiry into the activities of Südzucker AG and others. The investigation concerns issues associated with the reforms and implementation of the new sugar market regulation. Südzucker is eager to answer all questions related to the issue and is cooperating with the authorities. Südzucker does not expect there to be any consequences for the company as a result of the Federal Antitrust Authority's initial suspicions.

Financial risks

Südzucker is exposed to market price risks resulting from currency exchange, interest rate and security 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. The funds that will be received in connection with the EU restructuring assistance in June 2009 will be used to substantially pay down debt, which will further boost revenue reserves.

Creditworthiness and default risk

Risks of default associated with outstanding receivables have risen as a result of the financial market crisis. Südzucker AG is mitigating these 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 a first-class credit rating. There were no defaults as a result of the financial market crisis during the 2008/09 financial year.

In addition, the group-wide credit management system was further consolidated and expanded.

Detailed information regarding **currency exchange, interest rate and price risks** is provided in the notes to the annual report (33) "Risk management at Südzucker Group".

Rating

Moody´s Investor Service (Moody´s) and Standard & Poor´s (S&P) rating agencies assess Südzucker's creditworthiness. Südzucker considers itself duty bound to maintain and improve its investment grade rating. A cut in the assigned rating could have a negative impact on the group's future financing capabilities and cost of capital.

Overall risk position

In summary, in spite of the higher currency exchange and product price risks, the overall risk position of the group has improved in comparison to last year because the restructuring phase of the EU sugar market reforms is nearly complete.

Opportunities for further growth

By rigorously pursuing a corporate strategy aimed at long term value-based growth, Südzucker Group also has many opportunities.

Sugar | Aside from the risks described above, the restructuring of the EU sugar market provides opportunities to secure our long-term competitive position in our core business area, sugar production in Europe. The structural changes in the European sugar industry caused by price drops have caused some 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. In fiscal 2008/09, Südzucker signed a cooperation agreement with Mauritius, under the terms of which it will, as exclusive sales representative, import 400,000 tonnes of white sugar per year from the ACP country into the EU from 2009 to 2015. The imported sugar volumes strengthen the company's European market position.

BENEO | Südzucker also enjoys an excellent position in several growth markets due to the expansion of its special products segment. The BENEO division is an important part of the special products segment and it will benefit from the long-term trend toward healthier eating habits. Südzucker is one of the world's top suppliers of prebiotic additives, and the market leader for 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.

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.

CropEnergies | Opportunities arise when grain prices fall and/or when price increases of bioethanol cover the higher costs of raw materials. CropEnergies can to some extent avoid the volatility of the grain markets because it is able to use sugar syrups as a raw material. In addition, CropEnergies benefits from its energy optimized manufacturing systems and its ability to offset higher raw material costs by raising prices for the high-value byproducts.

There are also opportunities associated with the expected market growth for bioethanol. Thanks to its capacity expansions in Germany, Belgium and France, CropEnergies is in an excellent position to benefit from future market growth. The company is one of the most efficient European manufacturers of bioethanol.

Profitability will be primarily driven by the revenue development from ethanol minus the costs of the commodities used.

Fruit | 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 and selectively investing in locations close to its customers.

Outlook

Group

We expect group revenues in financial 2009/10 to be the same as last year. While revenues in the sugar segment will again be lower, we are forecasting revenue increases from the special products, CropEnergies and fruit segments.

We forecast a group operating profit of around € 400 million. The restructuring phase of the EU sugar market will end during the 2009/10 financial year. We are expecting the recovery in the sugar segment that began in 2008/09 to continue and that there will be no unusual major effects from the recessionary economy. Despite the more difficult market environment, we are also expecting higher profits in the special products, CropEnergies and fruit segments.

The prognosis is being hampered because the full impact of the worldwide financial and economic crisis is still uncertain.

Sugar segment

The restructuring fund has been closed since February 1, 2009. The EU Commission had expected a quota return of 6.0 million tonnes. Since 5.8 million tonnes were actually returned, a final uncompensated quota reduction of 0.2 million tonnes would be required. In the near term, we are expecting imports to rise more slowly.

After returning 0.9 million tonnes of quota to the fund, Südzucker Group still has over 3.2 million tonnes of quota as of the 2008/09 sugar marketing year, which is about 24 % of the future EU sugar quota. Südzucker continues to expand its market share in the European sugar deficit markets. To facilitate this, the company signed an alliance agreement with the Mauritius Sugar Syndicate in June 2008 for the supply of 0.4 million tonnes of white and raw sugar to the EU every year until the end of the current EU market regulation period in 2015.

We are expecting a further decline in revenues in the sugar segment for 2009/10. The effects of returning sugar quota to the restructuring fund and the price reduction effective October 1, 2008 will not fully impact the financial results until the 2009/10 fiscal year. Sales of imported sugar from Mauritius will run up halfway through the 2009/10 financial year.

The restructuring phase of the EU sugar market will end during the 2009/10 financial year. Temporary charges associated with market regulation reform will not recur. Südzucker has introduced 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. This will also partly offset the continuing price cuts. The imponderability of the restructuring phase is behind us, but it is essential that balanced market conditions continue to exist. Under these conditions, we are expecting another significant increase in operating profit.

Special products segment

We are expecting slightly higher revenues in the special products segment for 2009/10. The revenue increase will be driven by higher sales. In spite of an expected increase in sales, we are forecasting lower revenues for the starch division because market prices will drop as a result of lower commodity prices.

We are expecting the special products segment operating profit to increase in 2009/10. Further sales growth will be a key driver of the higher profits. The charges associated with commissioning the Pischelsdorf bioethanol plant will not recur.

CropEnergies segment

In Europe, we believe that the adoption in early December 2008 of the renewable energy and fuel quality directives has set the stage for robust market growth for the year 2010 and beyond.

In fiscal 2008/09, CropEnergies executed the approved capital spending program aimed at addressing the anticipated increase in demand for bioethanol. As a result, the installed production capacity - annually available first time for the 2009/10 financial year - is over 700,000 m^3. CropEnergies Group's production facilities are already now in compliance with greenhouse gas emissions restrictions included in the new legislative provisions, which further improves the group's competitiveness.

The CropEnergies segment's revenue growth will be driven by the capacity expansions completed in Germany and Belgium, entry into the French market and the expected increase in demand for bioethanol in Europe. Sales and production levels will be substantially higher than the year prior. We are expecting revenues of over € 400 million.

The CropEnergies segment's operating profit will be higher than last year, primarily because of higher sales. CropEnergies is forecasting that global supply and demand for bioethanol will move in tandem and that prices for bioethanol will therefore trend sideways. How demand will evolve in view of the recession triggered by the worldwide financial and economic crisis remains uncertain however. Another key influential factor aside from revenue levels will be commodity costs. As a result of the improved supply situation, CropEnergies expects that the more moderate prices in the grain market compared to the prior year will continue to prevail.

Fruit segment

In spite of an economic environment dominated by a drop in demand, we are expecting slightly higher revenues in the fruit segment. Whereas fruit preparations will see a slight decline in sales as a result of the economic crisis, we are expecting shipments of apple juice concentrates to be higher.

The fruit segment's operating profit will recover significantly in 2009/10. After the high write-offs of overvalued apple juice concentrates from the prior year's harvest in 2008/09, we are expecting business performance to be more normal for this segment. This will be offset by a slight weakening of the fruit juice preparation business, which will be impacted by tougher competition and reduced consumer spending in the current economy.

Investments

The group's high capital spending levels of the last few years have ended. The most recent € 385 million invested during fiscal 2008/09 was for the completion of the bioethanol plant in Wanze, Belgium. Südzucker has now put in place the fundamentals for further organic growth over the next number of years. For 2009/10, Südzucker is reducing capital spending in fixed assets to around € 250 million, the amount required for replacements. Together with the EU restructuring assistance and improved cash flow, this will lead to a significant decline in net financial debt in fiscal 2009/10.

Medium-term outlook

For 2010/11, we expect a moderate increase in group revenues, whereby revenues in the sugar segment will stabilize and grow in all other segments.

From today's perspective, we are expecting operating profits in 2010/11 to improve further. In the sugar segment, we expect another increase in operating profits compared to 2009/10. It will be the first full financial year without any influence from the EU restructuring phase. We are budgeting for higher earnings from the special products, CropEnergies and fruit segments than in 2009/10, provided commodity prices remain stable. This increase in the special products segment will be driven by further sales growth. In the CropEnergies segment, there will be no more startup-associated charges and capacities will be fully utilized. We are expecting the economic situation in the fruit segment to recover, which will result in higher sales.

Research and development, product safety, quality management

Major projects/overview

The Research, Development and Technological Service Activities of the Südzucker Group are focused on new ingredients, line extensions and new technologies optimizing product quality and production processes. In addition, the sales and marketing, procurement and business development activities of the individual business units are supported.

The scope of work ranges from agricultural production to developments in the various product areas. This includes sugar and sugar specialties, functional carbohydrates like Isomalt and Palatinose™, Inulin and Oligofructose, as well as rice-based products, fruit preparations, fruit juice concentrates, starch and bioethanol.

In 2008/09, eleven new patent applications were published to protect the expertise of the company and strengthen its market position, particularly in the field of functional food ingredients.

Research, Development and Technological Service tasks are carried out by 373 (391) employees. Group-wide centers of expertise specializing in the various fields coordinate the work. To improve efficiencies, the R&D units in Germany, France and Belgium were restructured and brought closer together as part of the Südzucker Group integration initiative. The total budget for Research, Development and Technological Services in 2008/09 was € 36.0 (36.3) million.

Sugar and special products

Process optimization | The sugar segment continues to focus on cutting production process costs by optimizing the use of consumables and auxiliaries. For example, ongoing improvements of the process management led to a significant reduction of limestone consumption.

A new combined process based on sugar beet electroporation and alkaline extraction is also being developed. As part of this project, the first prototype reactor was installed at the Offstein plant, which confirmed after an optimization phase its suitability for industrial use.

Energy saving | A juice purification system developed and patented by Südzucker was successfully used during the 2008 campaign at the Offstein plant. In addition to reducing the use of auxiliaries, it consumes less primary energy at the pellet drying step, as well as cutting the process related emissions.

Fondant | The focus of product development and optimization activities continues to be on fondant specialties such as fondant fillings and icings. More and more, we are producing tailored solutions for our customers. These require a high level of customer technical service and reformulation of the fondant recipes.

Caramel | Custom caramel products for end users are being developed for dairy and confectionery applications.

Compri sugar | Several new compounds were developed in the Compri sugar product group. These products consist of two or more components, of which the main ingredient is sucrose. There is a trend toward functional compounds, which are used for tabletting and instant beverages.

Retail products | A wide variety of innovative new products mainly based on sucrose, for example, a special icing sugar mill and flavored fine sugars, are successfully marketed and sold across Südzucker group.

Functional carbohydrates/functional food

Nutritional science

Nutritional research focused on the functional carbohydrates Palatinose™ and Inulin, in order to enhance the attractiveness of these products in their markets.

Inulin | The prebiotic properties of inulin are being substantiated for further special applications, product variants, different target groups and health-related communication. Parts of the research are funded within EU Framework projects, such as EARNEST for nutrition in early life.

A study with Orafti®Synergy1 for the first time showed that participants would eat less calories. These results confirm earlier observations with oligofructose and are promising in regards to using fructans to combat obesity.

Palatinose™ | The data to support future health-related claims regarding the use of Palatinose™ for a longer-lasting energy provision than conventional sugar types could be substantiated. It was confirmed that this low glycemic sugar contributes to a steadier and prolonged energy supply over a wide range of dosages, in combinations with other sugars, in beverages or solid foods together with other nutrients. This was shown for normal and overweight participants, both when they were inactive or engaged in physical activity. Under both conditions, Palatinose™ leads to delayed and extended carbohydrate metabolism.

In children who had breakfast that contained Palatinose™ a better memory function was observed than when they had a glucose-based diet. Studies involving athletes demonstrate that the prolonged energy effect from glucose and the associated longer availability of glycogen improve their physical performance, particularly under end-spurt conditions.

Application technology/product and process development

galenIQ™ | The monographed Isomalt-based galenIQ™ product line for pharmaceutical applications was launched worldwide. GalenIQ™ properties are particularly suitable for tabletting and for coating tablets and masking of unpleasant tastes. Other galenIQ™ variants are suitable for use as starter pellets to produce capsule fillings with special active ingredient release characteristics.

Inulin | The inulin product family was extended by a new organic product with a fructooligosaccharide content of 58 %.

In addition, Südzucker actively continues to support its customers in optimizing the nutritional attributes as well as taste/consistency of their food products containing Inulin and Oligofructose. Examples include dairy products, fruit preparations, baked goods, cereal-based products and bars as well as meat products.

Isomalt | More and more sophisticated sweets are being developed by combining the various technologies used to produce hard and soft caramels, chewing gums, chocolate and dragees. Based on the expertise with regard to Isomalt's properties, Südzucker provides customers with significant advantages in new application areas.

Palatinose™ | The main applications for Palatinose™ are customer-specific developments for soft drinks, instant beverage powders and granulated teas.

Tooth-friendly formulas are of considerable interest, particularly for granulated teas. In this area, the company launched a program based on working jointly with customers to successfully complete these analytically sophisticated developments.

Rice products | A new shear-resistant native rice starch has already proven to be suitable for sauces. Whole grain rice flour, organic rice flour and ready cooked organic rice flour were developed for the growing whole grain market segment.

Technical products | The portfolio of labeling adhesives was expanded and their application-related properties improved. A new label adhesive for glass bottles was successfully launched, which has excellent ice water-resistance properties and provides a good runability on bottling machines.

New technologies

Carbohydrate-based acids | Carbohydrate-based acids are used in large quantities in the food and non-food industries. The most familiar product in this area is gluconic acid and its salts. A new efficient process based on specially prepared gold catalysts was developed, which gives the opportunity to provide these innovative oxidation products for a wide range of potential applications.

Bioenergy/Biogas | Biogas for use in natural gas networks has been in the focus of interest because of targeting the federal government's integrated energy and climate protection program. Südzucker has tested and evaluated using sugar beets for biogas production. Tests at the semi-industrial biogas plant at the Kaposvár sugar factory showed that sugar beets are very well suited to being used as a monosubstrate for biogas production. Gas purification equipment can be used to bring the high-quality biogas produced to the specified network-grade standards. Optimizing trace elements and nutrients is a key factor for stable operation.

White Biotechnology | A number of projects were initiated relating to our activities in the "white biotechnology" area, some of which are sponsored by the federal government. The projects relate to industrial use of renewable raw materials for the chemical industry, reutilization of renewable resources and using innovative methods to improve the efficiency of existing products.

Bioethanol

The research and development activities in the bioethanol area focus on production-related optimization of existing processes and developing innovative production concepts for the plants in Zeitz and Wanze. The results of these efforts were applied during the start up of the plant extension in Zeitz and the Wanze facility.

A byproduct of the process at the Biowanze factory is wheat gluten, which is marketed in the animal feed sector. The product must be available as a dried, free-flowing material, preferably in the form of pellets. A number of tests were conducted to investigate various drying and pelletizing processes.

Work on developing fuel cells specially suited to convert the energy stored in bioethanol into electricity successfully continues. The two alternative methods, integrated reforming of bioethanol and the direct ethanol fuel cell, are being further explored because their application areas are complementary. Technical progress on the development activities is on schedule and Südzucker continues to cooperate with the Fraunhofer-Gesellschaft as partner.

Starch

Südzucker Group produces starch for the food and nonfood sectors based mostly on corn, waxy corn and potatoes as raw materials. Südzucker Group is also the market leader in the rice starch sector.

The product range was successfully extended and the company was successful in positioning the starch products in new market segments and offering customers tailor-made solutions.

Food | There is a high demand for innovative products in the area of food starches. Synergies with the fruit segment proved particularly advantageous as starch is used as a thickener in this area. Newly developed organic starches with an improved texture and specific flow characteristics were specialties in the organic and clean label product area.

Non-food | The current R&D focus for non-food applications is on modified starches for construction, the paper industry, adhesives, as well as the textile and cosmetics industries. The industry's interest in products made from renewable raw materials is growing.

The construction industry, where is considerable demand for highly developed starch ethers with unique specifications, is an important Südzucker Group target market. The company successfully introduced new products into the conventional construction sector; for example, tile adhesives and mortars. These new starches are not only used as thickeners; they meet industry specifications and provide functional rheological properties in mortar systems.

In the paper and cardboard industry, Südzucker offers customers services based on the latest scientific findings. Together with key industry partners, the company developed a new way to use starch as a co-binder and latex substitute in paper coating inks. After extensive tests, starch products were developed that exhibit improved binding strength while maintaining the same runnability as the market standard, dextrin; these have already been introduced into the market.

Starch products with significantly improved properties for bag glue and label adhesives were also developed for the adhesive sector. Some other product variants are developed and ready for the transfer in industrial scale up test.

Product safety

The centralized responsibility for product safety in the sugar segment ensures the equally high standard for raw materials and substances, as well as packaging materials throughout the group. The establishment of group wide safety standards is the basis for shipping goods from the various Südzucker manufacturing locations to the entire European market.

Before commissioning CropEnergies' Wanze factory, all raw materials and additives were approved applying the same standards which were effectively established at the Zeitz production facility. This ensures that animal feed produced by any CropEnergies plant is of the same high quality.

Product safety activities were also expanded in the BENEO-Gruppe. As and example, preparations linked to the REACH registration procedure of non-food products were initiated.

Quality management

An important quality management project involves certifying most of Südzucker AG's production facilities and those of BENEO-Palatinit GmbH for version 5 of the International Food Standard. The Ochsenfurt, Offenau, Plattling, Rain and Zeitz plants have all successfully passed the audits conducted to date with a score of "advanced level". The audits in Offstein (special products) and at BENEO Palatinate GmbH were completed in early April 2009.

Sustainability/ environment

Companies such as Südzucker, which use agricultural products as their raw materials, are particularly close to the topic of sustainability. It is therefore a fixed component of corporate responsibility and resides directly with the executive board.

The focus is on enhancing the adopted sustainability strategy so that it does not lag shifting requirements and perspectives.

In addition to working in the interests of our stakeholders and on the availability of our renewable raw materials, we are currently heavily involved in topics such as climate change, the availability and use of energy, the demographic shift in our traditional markets as well as work safety and health management.

In addition to cost savings, climate protection and resource conservation are important considerations when it comes to topics such as energy efficiency.

We also pay attention to social, cultural and scientific aspects in our commitments to our market sector and wherever we conduct business.

The individual programs associated with the environment are specifically covered in the R&D and Investments sections.

Investments

The group's investments on property plant and equipment and intangible assets totaled € 384.3 (496.8) million. The sugar segment accounted for € 123.5 (141.6) million, special products € 60.1 (165.7) million, CropEnergies € 170.1 (146.6) million and fruit € 30.6 (42.9) million. The major Investments are outlined below, grouped by segment.

Sugar segment

Germany | As in previous years, the capital spending focus was on the environment, replacement and investments to improve efficiencies. Systems to reduce ammonia in the carbonation exhaust vapors at the Ochsenfurt and Plattling factories were successfully started up in time for the 2008 campaign. Additional systems of this type will have to be installed at the Offstein, Rain and Warburg plants in future years. A new dust collection system for the pellet drying equipment was completed in Offenau.

The program to revamp the identification system at Südzucker beet yards, which was launched in 2004/05, and the replacement of computers for beet yards and factory yards continued. The Plattling, Wabern and Warburg factories started using this system during the financial period under review.

Belgium | The three existing lime kilns in Tienen will be replaced by a modern high-pressure lime kiln in time for the 2009 campaign. The new kiln will be able to use both anthracite and coke. Parts from some of the closed factories will be used for this project. The boiler systems in Wanze were modernized. NOx emissions have been reduced to well under the maximum permissible limits and the efficiency of the boiler has been improved. A program is also under way to align the sugar factory and the new bioethanol plant. In Longchamps, work started on the pellet press upgrade and energy optimization projects.

France | In France, the capital spending focus is still on the Europac project in Roye. The 40,000-tonne silo went into operation in November 2008 and construction has started on the new packing center. Planning is underway for capacity expansions and reduced energy consumption at the refinery in Marseille.

Austria/Romania/Czech Republic/Hungary/Bosnia | Capital spending at AGRANA Zucker is mainly for improving production reliability and energy efficiency. This includes the new press station in Tulln. In addition to spending on systems automation, investments were also made in improving thermal efficiency in Romania. In the Czech Republic, the boiler was fueled by about 10 % biomass for the first time. In addition, a newly constructed biogas line from the wastewater treatment plant serves the pellet drying operation. The biogas system in Kaposvár, Hungary, replaced about 45 % of the usually consumed fossil fuel for primary energy during the most recent campaign. The raw sugar refinery was completed in Brčko/Bosnia.

Poland | In fiscal 2008/09, capital spending focused on the first stage of the production capacity expansion for the Strzelin sugar factory, which is being increased from 3,000 to 5,000 tonnes of beets per day. The liquid sugar system installed at Chybie was moved to Strzelin. The packing and palletizing in Swidnica were modernized.

Moldova | A central beet laboratory for all plants went into operation in Drochia. In addition, the production systems were further improved, the evaporation station revamped and a new process control system installed for white sugar crystallization. The new process control system in Falesti was for extraction and juice purification.

Special products segment

BENEO-Group (Orafti/Palatinit/Remy) | The chicory washing equipment at BENEO-Orafti in Oreye has been replaced. Plans are underway to expand the wastewater plant. Plans at BENEO-Orafti in Chile include a big bag filling station.

At BENEO-Palatinit in Offstein, work to improve the hygiene standards in the Palatinose(tm) dryer area was completed. The new staff room, which takes into consideration not only the higher number of employees but also hygiene requirements, was completed.

The second rice starch centrifuge line was started up at BENEO-Remy. The new rice starch dryer for the second starch production line is currently being assembled.

Freiberger | The investment focus was on acquiring the pizza production facility in Osterweddingen from Schwan's Food GmbH, Sülzetal, replacing the baking oven and expanding the packaging system for the pizza line in Oberhofen, increasing the capacity of the baguette line freezer in Muggensturm and optimizing the packaging line in Berlin.

Starch | Expansion of the bioethanol and isoglucose production capacities at the HUNGRANA starch factory in Hungary has been completed. The expansion program for modified starch was completed at the Gmünd factory with the startup of the new roll drying system.

CropEnergies segment

In 2008/09, CropEnergies AG successfully executed the capital spending program announced as part of the initial public offering in 2006. After integrating Ryssen Alcools S.A.S and commissioning the new plant in Wanze and the second production line in Zeitz, CropEnergies has almost tripled its production capacity to over 700,000 m^3.

Fruit segment

The fruit preparation business unit's finished goods warehouse in Central Mangrove, Australia, was started up and a new production line was installed at Cabreuva in Brazil to increase the capacity to 14,500 tonnes per year.

Most of the capital spending for fruit juice concentrates occurred in Xianyang, China, where the daily processing capacity was augmented from 1,200 to 1,800 tonnes of apples per day. Several projects to streamline operations (e.g., raw material delivery, cleaning and sorting) and programs to improve product quality, product safety and hygiene were completed and started up in Poland, Hungary, Austria, Denmark and Germany before the season commenced.

Employees

The average size of the workforce at Südzucker Group fell to 17,939 (18,642) in financial 2008/09. The reduction of about 1,450 persons in the sugar segment was partially offset by the hiring of more than 700 employees in the growth segments special products, CropEnergies and fruit. Split by region, Germany had 4,141 (4,095) employees, while the remaining EU countries had 9,445 (10,315), Eastern Europe 1,869 (2,054) and other regions around the world 2,484 (2,178).

Group employees (average for the year)

	2008/09	2007/08
Sugar	8,598	10,043
Special products	4,142	3,773
CropEnergies	272	130
Fruit	4,927	4,696
Total	**17,939**	**18,642**

In many cases, it was possible to offer the employees affected by the restructuring measures driven by outside factors new job opportunities at other locations. In addition, employees are being offered training and assistance from employment agencies to prepare them for reintegration into the regular labor market. The goal was and continues to be to reduce the hardship associated with the layoffs caused by the reform-driven factory closures as much as possible.

Social dialogue | In Europe, employers and employee representatives have been successfully working together under the terms of a social dialogue for many years. In this context, representatives of the umbrella organization of the European Food and Catering Union (EFFAT) and employers association of the European sugar industry (CEFS) are jointly developing a series of principles that will then become binding throughout the EU. Topics included job security and social responsibility. A code of conduct based on eight minimum standards was developed under the heading of "social responsibility". Work is currently underway on a joint concept on the topic of employment.

Compliance | The human resources department considers the topic of compliance as discussed under Corporate Governance as an area of responsibility that is particularly important in view of the current economic and ethical discussions. Südzucker Groups main goal in this area is prevention. The objective is to make it easier to understand the complex regulatory environment by integrating corporate values into compliance and thereby involve all of the company's employees.

Employee suggestions | Employee suggestions continue to be very important to Südzucker AG. The high number of improvement suggestions submitted and rewarded underscores the employees' commitment to the company.

Work safety | Work safety and health protection programs are an integral part of the value and management systems practiced by all Südzucker Group companies. The focus continues to be on preventive measures and appropriate employee training.

Personnel development/employee retention | Independent of the far-reaching cost-cutting measures, programs to integrate the internationally engaged workforce into the group continued. Employees from all areas of the company were brought together to deepen their knowledge of the organization, business segments and strategies at Südzucker Group and to share experiences that transcend divisional and corporate boundaries. This also provides opportunity to identify talent, which can then be systematically fostered. In view of the changes that almost all Südzucker Group companies were faced with, improving change management skills was a key focus of the activities.

European Works Council | During a sitting of the European Works Council in June 2008, the executive board and works council representatives openly discussed the current issues in the various group companies and business units. The discussions ranged from strategic considerations for the group as a whole to the situation in the bioethanol market and concepts for introducing e-learning within the group.

Thank you | The executive board thanks all Südzucker Group employees for their commitment and performance in fiscal 2008/09. We are especially appreciative of the fact that in spite of the deep cuts this year, discussions with the national and international works council representatives were marked by a high degree of trust and constructive teamwork. For this too, the executive board would like to express its heartfelt thanks.

Corporate governance

Corporate governance aims to ensure that companies are managed and controlled responsibly and that they provide lasting shareholder value. Effective and efficient cooperation between the executive and supervisory boards ensures transparency and 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 6, 2008.

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 6, 2008 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 2008 and prior years is posted on Südzucker's Web site at http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Entsprechenserklaerung/.

The wording used in the declaration of compliance is found in the section Declaration of Compliance with the German Corporate Governance Code of Practice on page 24 of this annual report.

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 28, 2009, 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). 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 about 55 % of the subscribed capital through its own shareholdings and shares held in trust for its owners. Zucker Invest GmbH, based in Tulln, holds a further approx. 11 % of the subscribed capital.

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 29, 2008 (http://www.suedzucker.de/Investorrelations/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; the supervisory board is authorized to make version-related changes to the bylaws.

Nominal capital was conditionally increased by € 13 million by issuing 13 million new shares. This conditional capital increase was intended to meet the demands of holders of the convertible bond issued on December 8, 2003, who may have exercised their right to convert their holdings into shares of the company. The conversion right expired on December 8, 2008 according to the conditions of the convertible bond. No bondholders exercised their rights as of that date. The conditional capital is now therefore superfluous. On December 8, 2008, the convertible bond was repaid from cash reserves.

As per the resolution at the annual general meeting dated July 29, 2008, nominal capital was again conditionally increased by € 15 million by issuing 15 million new shares. This conditional capital increase will only be exercised to the extent required to cover conversion or option rights arising from bonus shares, convertible bonds or equity warrant bonds, which may be placed until July 28, 2013.

However, no such bonus shares, convertible or equity warrant bonds have been placed to date.

No authorized capital exists.

Shareholders at the annual general meeting on July 29, 2008 gave the executive board the authority to buy back up to 10 % of the company's current total share capital by January 23, 2010 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 treasury 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 by 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. To date, the board has not exercised its right to buy back shares.

No material agreements were entered into that would come into effect in the event of a change of control resulting from a takeover offer. No compensation agreements exist that would come into effect in the event of a takeover bid by members of the executive board or the employees.

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 2008/09 totaled € 2.7 (2.8) million. The variable incentive will be 33 (36) % of cash compensation. It is calculated on the basis of the dividend amount still to be declared by the shareholders at the 2009 annual general meeting. Members of the executive boards of subsidiaries were paid € 1.4 (1.6) million. Pension provisions for members of the executive board were increased by € 1.1 (0.3) 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 (1.2) million in 2008/09.

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).

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

A compliance officer with group-wide responsibility was named when the compliance program was implemented in October 2007. The goal is to ensure that the above principles are adhered to throughout Südzucker Group by utilizing existing reporting channels and information flows associated with Group activities. The compliance officer is supported by the head of the legal department and the internal auditors (Compliance Committee).

Südzucker's compliance organization focuses in particular on capital market restrictions (particularly insider rights and ad hoc publicity), corruption prevention and competition law.

Good compliance is always founded on the integrity of the employees. Of course, Südzucker ensures that all programs are consistent with employee data privacy protection requirements.

Existing Südzucker Group corporate rules were incorporated into the compliance program policies and various parts of the company and activities were tied into the program. This also applies to Südzucker AG's risk management.

The compliance officer regularly submits reports via the executive board to the supervisory board and the supervisory board's audit committee.

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.

During the 2008/09 financial year, one member of the supervisory board purchased a total of 1,000 shares in two separate transactions at an average price of € 8.60. One member of the supervisory board sold 1,500 shares at an average price of € 15.00.

Consolidated financial statements of Südzucker AG

Income statement

1 March 2008 to 28 February 2009

€ million	Note	2008/09	2007/08
Revenues	(6)	**5,871.3**	**5,779.6**
Change in work in progress and finished goods inventories and internal costs capitalised	(7)	-277.0	135.2
Other operating income	(8)	238.5	257.2
Cost of materials	(9)	-3,449.1	-3,502.8
Personnel expenses	(10)	-662.8	-708.1
Depreciation	(11)	-249.7	-295.5
Other operating expenses	(12)	-1,125.9	-1,476.3
Income from operations	(13)	**345.3**	**189.3**
Income from associated companies	(14)	21.6	23.4
Financial income	(15)	67.2	49.6
Financial expense	(15)	-202.2	-142.3
Earnings before income taxes		**231.9**	**120.0**
Taxes on income	(16)	-48.7	-20.3
Net earnings for the year		**183.2**	**99.7**
of which attributable to Südzucker shareholders		162.2	19.5
of which attributable to hybrid capital		26.2	26.2
of which attributable to minority interest		-5.2	54.0
Earnings per share (€)	(18)	**0.86**	**0.10**

Cash flow statement

1 March 2008 to 28 February 2009

€ million	Note	2008/09	2007/08
Net earnings for the period		183.2	99.7
Depreciation and amortization of intangible assets, fixed assets and other investments	(11), (12)	254.9	301.6
Decrease (-) in non-current provisions and deferred tax liabilities		-50.7	-19.8
Other expense (+) not affecting cash		116.5	116.5
Cash flow from operating activities		**503.8**	**498.0**
Gain on disposals of items included in non-current assets and of securities		-19.4	-22.8
Decrease (-)/increase (+) in current provisions		-64.4	145.5
Increase (-) in inventories, receivables and other current assets		-23.4	-673.3
Decrease (-) in liabilities (excluding financial liabilities)		-102.3	-164.4
Increase (-) in working capital		-190.0	-692.2
I. Net cash flow from operating activities		**294.4**	**-217.0**
Investments in fixed assets and intangible assets		-384.3	-496.8
Acquisition of, and investments in, non-current financial assets		-40.1	-53.0
Investments		**-424.4**	**-549.8**
Cash received on disposals of non-current assets		57.1	233.2
Cash paid (-)/received (+) on the purchase/sale of securities in current assets		16.6	-45.4
II. Cash flow from investing activities		**-350.7**	**-362.0**
Capital increases		0.0	9.5
Dividends paid		-133.8	-161.5
Receipt (+) of financial liabilities		138.9	121.4
III. Cash flow from financing activities		**5.1**	**-30.6**
IV. Change in cash and cash equivalents (total of I., II. and III.)		**-51.3**	**-609.6**
Change in cash and cash equivalents			
due to exchange rate changes		-4.2	-1.9
due to changes in entities included in consolidation		2.8	-2.2
Decrease (-)/increase (+) in cash and cash equivalents on the balance sheet		**-52.7**	**-613.7**
Cash and cash equivalents at the beginning of the year		216.6	830.3
Cash and cash equivalents at the end of the year		**163.9**	**216.6**

Further disclosures on the cash flow statement are included in note (19) of the notes to the consolidated financial statements.

Balance sheet

28 February 2009

Assets

€ million	Notes	28.02.2009	29.02.2008
Intangible assets	(20)	1,180.9	1,162.4
Fixed assets	(21)	2,569.2	2,537.9
Shares in associated companies	(22)	76.0	64.1
Other investments and loans	(22)	22.7	115.1
Securities	(22), (29)	105.1	19.5
Receivables and other assets	(24)	8.4	303.9
Deferred tax assets	(16)	108.3	60.1
Non-current assets		**4,070.6**	**4,263.0**
Inventories	(23)	1,996.6	2,295.7
Trade receivables and other assets	(24)	1,301.2	967.8
Current tax receivables		32.8	16.5
Securities	(29)	143.5	157.8
Cash and cash equivalents	(29)	163.9	216.6
Current assets		**3,638.0**	**3,654.4**
Total assets		**7,708.6**	**7,917.4**

Liabilities and shareholders' equity

€ million	Notes	28.02.2009	29.02.2008
Subscribed capital		189.4	189.4
Capital reserves		1,137.6	1,137.6
Revenue reserves		719.6	713.8
Equity attributable to shareholders of Südzucker AG		*2,046.6*	*2,040.8*
Hybrid capital		683.9	683.9
Other minority interest		498.9	574.8
Shareholders' equity	(25)	**3,229.4**	**3,299.5**
Provisions for pensions and similar obligations	(26)	404.5	401.7
Other provisions	(27)	200.9	211.3
Non-current financial liabilities	(29)	1,154.1	1,232.6
Other liabilities	(28)	15.4	21.0
Deferred tax liabilities	(16)	165.0	165.2
Non-current liabilities		**1,939.9**	**2,031.8**
Other provisions	(27)	117.3	181.5
Current financial liabilities	(29)	890.9	669.0
Trade payables and other liabilities	(28)	1,497.7	1,716.9
Current tax liabilities		33.4	18.7
Current liabilities		**2,539.3**	**2,586.1**
Total liabilities and shareholders' equity		**7,708.6**	**7,917.4**

Changes in shareholders' equity

1 March 2008 to 28 February 2009

€ 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
1 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**
Market valuations and exchange differences on net investments				1.3		1.3	1.3		-3.7	-2.4
Foreign currency translation differences from consolidation					18.0	18.0	18.0		-0.1	17.9
Income and expenses not recognized in the income statement				1.3	18.0	19.3	19.3		-3.8	15.5
Net earnings			19.5			19.5	19.5	26.2	54.0	99.7
Income and expenses recognized directly in equity			19.5	1.3	18.0	38.8	38.8	26.2	50.2	115.2
Distributions			-104.1			-104.1	-104.1	-26.2	-20.4	-150.7
Capital increase						0.0	0.0		7.6	7.6
Other changes			-0.5			-0.5	-0.5		-34.0	-34.5
29 February 2008/ 1 March 2008	**189.4**	**1,137.6**	**692.6**	**10.9**	**10.3**	**713.8**	**2,040.8**	**683.9**	**574.8**	**3,299.5**
Market valuations and exchange differences on net investments				-24.8		-24.8	-24.8		-8.0	-32.8
Foreign currency translation differences from consolidation					-57.7	-57.7	-57.7		-27.9	-85.6
Income and expenses not recognized in the income statement				-24.8	-57.7	-82.5	-82.5		-35.9	-118.4
Net earnings (+)/loss (-) for the year			162.2			162.2	162.2	26.2	-5.2	183.2
Income and expenses recognized directly in equity			162.2	-24.8	-57.7	79.7	79.7	26.2	-41.1	64.8
Distributions			-75.7			-75.7	-75.7	-26.2	-21.3	-123.3
Capital increase						0.0	0.0		0.0	0.0
Other changes			1.9			1.9	1.9		-13.4	-11.6
28 February 2009	**189.4**	**1,137.6**	**780.9**	**-13.9**	**-47.4**	**719.6**	**2,046.6**	**683.9**	**498.9**	**3,229.4**

Further disclosures on shareholders' equity are included in note (25) of the notes to the consolidated financial statements.

General explanatory notes

(1) Principles of preparation of the consolidated financial statements

The consolidated financial statements of Südzucker AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), London, based on the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as to be applied in the EU. The statutory commercial requirements as set out in § 315a para. 1 of the German Commercial Code (HGB) has also been considered.

All IFRS issued by the IASB that were effective and applied by Südzucker AG at the time these consolidated financial statements were prepared have been adopted by the European Commission for application in the EU.

The supervisory board of Südzucker AG will review and approve the consolidated financial statements for 2008/09 at the meeting on May 26, 2009, making them authorized for issue.

The consolidated financial statements have been prepared in euros and, unless otherwise indicated, all amounts are disclosed in millions of euros (€ million).

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 amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures) with initial mandatory application in the 2008/09 financial year had no effect on accounting and financial reporting. In addition, the segment information has been prepared with early application of IFRS 8 (Operating Segments) resulting in segment reporting that is based in structure and content on scheduled internal reporting to internal decision makers. The application of this standard would be mandatory starting in the 2009/10 financial year.

The application of the following revised standards and new interpretations adopted by the EU into European law will be mandatory for the first time starting in the 2009/10 financial year:

The revision to IAS 1 (Presentation of Financial Statements) calls for, among other things, a statement of comprehensive income that includes the income and expenses previously recognized directly in equity. The amount of income taxes allocated to each component must be disclosed. Specifically, the application of the revised IAS 1 will lead to changes in the presentation of the income statement and statement of changes in equity in the Südzucker consolidated financial statements.

The revision of IAS 10 (Events after the Balance Sheet Date) makes clear that dividends declared after the balance sheet date should not be recognized at the balance sheet date as a liability as no obligation exists at that date. Südzucker does not report dividends declared after the balance sheet date as a liability and therefore the change has no effect on the financial statements.

IAS 16 (Property, Plant and Equipment) and IAS 7 (Cash Flow Statements) were changed with regard to the presentation of fixed assets and the revenue from the sale of fixed assets regularly sold to third parties after the end of a leasing period.

As part of a further revision of IAS 19 (Employee Benefits) the criteria were specified for the distinction between a negative past service cost and curtailments as well as the distinction between short-term and long-term employee benefits.

The amendments to IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) stipulate that the interest rate benefits from a government loan compared to the market interest rate should be treated as a benefit in accordance with IAS 20.

IAS 23 (Borrowing Costs) was revised to the extent that borrowing rates attributable to the acquisition or production of so-called qualifying assets (construction of new production plants, material growth-related investments) must now be capitalized as a cost of the asset until the capital spending measure is complete. This eliminates the former option of recognizing borrowing costs immediately as an expense, which Südzucker has elected to do until this point. A qualifying asset (construction of new production plants, principal growth-related investments) exists in this context if a substantial period of time is required to get the asset ready for its intended use or sale. According to this, in the future companies must capitalize such borrowing costs as part of the cost of the qualifying assets. The standard is to be applied for the first time to borrowing costs for qualifying assets whose initial date for the capitalization is on or after January 1, 2009. Südzucker has created the conditions for the recognition of qualifying assets within the scope of the investment approval process and will apply IAS 23 (Borrowing costs) as of March 1, 2009.

The amendments to IAS 27 (Consolidated and Separate Financial Statements) govern the restructuring of groups with the creation of a new group parent. The revision of IAS 27 also clarifies that financial instruments measured at fair value in accordance with IAS 39 are still to be measured at fair value even if these are to be classified as "non-current asset held for sale and discontinued operations" according to IFRS 5.

With the amendment to IAS 28 (Investments in Associates) and correspondingly to IAS 32 (Financial Instruments: Presentation) and IFRS 7 (Financial Instruments: Disclosures) it was clarified that for the purpose of the impairment test the investment in an associated company is to be regarded as a single asset and reversals of impairment losses are to be made.

The amended IAS 31 (Financial Reporting of Interests in Joint Ventures) specifies that certain joint ventures recognized at market value are subject to the requirements of IAS 39 (Financial Instruments: Recognition and Measurement).

The revisions to IAS 32 (Financial Instruments: Presentation) and IAS 1 apply to the changes of the classification of puttable financial instruments and of obligations which only arise in the case of liquidation. This classifies some financial instruments, which currently fit the definition of a financial liability, as equity. IAS 32 includes detailed criteria for the identification of such instruments.

The revision of IAS 34 (Interim Financial Reporting) makes clear that both basic and diluted earnings per share are to be disclosed in the income statement as part of interim financial reporting.

The supplements to IAS 36 (Impairment of Assets) extend the disclosures on the goodwill impairment test in the notes to the financial statements.

The revision of IAS 38 (Intangible Assets) specifies that expenditure on advertising and promotional activities does not qualify for capitalization; the Südzucker Group is not affected by this rule.

The supplements to IAS 39 (Financial Instruments: Recognition and Measurement) in conjunction with IFRS 7 (Financial Instruments: Disclosures) have to do with rules for the reclassification of financial instruments designated as at fair value through profit or loss as well as for changes in the interest rate under application of the effective interest method.

The amendments to IAS 40 (Investment Property) relate to investment property under construction or the development of investment property that will be recognized as such in the future; the application of this standard is irrelevant for Südzucker.

The revision of IAS 41 (Agriculture) specifies how cash flows are determined in the measurement of the transformation of biological assets into agricultural produce.

The amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) in conjunction with IAS 27 (Consolidated and Separate Financial Statements according to IFRS) prescribe the measurement of subsidiaries, jointly controlled entities and associated companies as part of the first-time adoption of IFRS.

The amendments to IFRS 2 (Share-based Payment) are not significant for the Südzucker Group as no share-based payments are made.

IFRIC 13 (Customer Loyalty Programs) and IFRIC 14 (IAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) govern issues that are not relevant for the Südzucker Group.

All of the amended or revised standards listed above are to be applied for the first time in financial years beginning on or after January 1, 2009. Changes to these standards that are of relevance for the Südzucker Group will be evaluated to determine their future effect on the net assets and financial and earnings position.

The amendments to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) make clear that even with a partial disposal, if this leads to the loss of possible control over a consolidated company, all assets and liabilities of the consolidated company are to be reclassified under the item "non-current asset held for sale and discontinued operations". The revised standard is mandatory for the first time for financial years beginning on or after July 1, 2009.

For the Südzucker Group, this amended standard is therefore mandatory starting in the 2010/11 financial year; the effect of these changes on the net assets and financial and earnings position of the Südzucker Group will depend on the type and extent of future transactions.

IFRIC 12 (Service Concession Arrangements) governs the accounting and measurement in connection with the assumption of obligations of a public nature by private investors and has no relevance for the Südzucker Group. The interpretation is mandatory for financial years beginning on or after March 28, 2009, which means that it is to be applied for the first time in the 2010/11 financial year.

The revised versions of IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements according to IFRS) were published in January 2008. The new IFRS 3 includes rules on the scope of application, components of acquisition costs, the treatment of minority interests and goodwill as well as the extent of assets, liabilities and contingent liabilities to be recognized. The standard also includes rules on the accounting of loss carryforwards and the classification of contracts of the acquired company. The new IAS 27 requires the mandatory application of the "economic entity approach" in the treatment of the purchase or sale of equity stakes after the possibility of control has been acquired and maintained. According to this, transactions with minority shareholders are to be recognized directly in equity. In the case of successive share purchases that result in the control of a company, or if shares are sold resulting in the loss of control, the standard requires that the shares already or still held be revalued at fair value through profit or loss.

In substance, the revised versions of IFRS 3 and IAS 27, which have not yet been adopted by the EU into European law, are to be applied prospectively for financial years beginning on or after January 1, 2010. The effect of these changes on the net assets and financial and earnings position of the Südzucker Group starting in the 2010/11 financial year will depend on the type and extent of future transactions.

(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. 166 (177) companies were included in the consolidated financial statements for the year ended February 28, 2009. Nine companies have been included in the consolidated financial statements for the first time, 16 companies were merged to create a simplified Group structure, and four companies are no longer part of the Group.

AGRO-SZM S.R.L., Drochia, Moldavia, was fully consolidated for the first time at the start of the financial year. The newly founded company is expanding the Group's agricultural activities in Moldavia.

Great Star Food Production GmbH & Co. KG, Berlin, a company that combines the acquired pizza activities of the Freiberger Group at the location in Osterweddingen (Saxony-Anhalt), was fully consolidated for the first time in the fourth quarter.

To expand the activities of the PortionPack Group on the Iberian Peninsula, the Spanish portion pack producer Sociedad Anónima de Azúcares Especiales S.A. (SAES), Barcelona, was acquired in the fourth quarter for € 0.7 million and included for the first time; this resulted in goodwill of € 0.4 million.

The remaining six newly consolidated companies were primarily companies founded in 2008/09.

Sugarfayre Ltd., Northumberland, Great Britain, a company that does not belong to the Group's core business and which specializes in edible cake decorations, was disposed of in January 2009.

The effects of the change in companies included in consolidation on the consolidated financial statements including the proportionately consolidated joint ventures are as follows:

€ million	De-consolidated companies	First-time companies	De-consolidated companies	First-time companies
28/29 February	**2009**	**2009**	2008	2008
Non-current assets	-0.7	9.9	-2.1	3.6
Inventories	*-0.3*	*10.1*	*-7.1*	*0.0*
Receivables and other assets	*-0.5*	*12.2*	*-10.9*	*0.4*
Cash and cash equivalents and securities	*-17.9*	*3.7*	*-2.3*	*1.1*
Current assets	-18.7	26.0	-20.3	1.5
Total assets	**-19.4**	**35.9**	**-22.4**	**5.1**
Shareholders' equity	-18.2	7.7	-3.9	2.5
Non-current liabilities	0.0	4.5	-0.7	1.5
Current liablilities	-1.2	23.7	-17.8	1.1
Total liabilities and equity	**-19.4**	**35.9**	**-22.4**	**5.1**
Revenues	-3.0	18.1	0.0	22.6
Net earnings (loss) for the year	0.0	0.9	0.0	-0.9

The **proportionate consolidation method** is now used for 7 (5) joint ventures. Yongji Andre Juice Co., Ltd., Yongji/China, a joint venture operated by AGRANA Juice GmbH and Yantai North Andre Co., Ltd., has been proportionately consolidated since the second quarter, meaning that AGRANA has established a second joint venture for the production of apple juice concentrate in China. In addition, AGRANA Studen Sugar Trading GmbH, Vienna, is now included for the first time through the proportionate consolidation. The joint venture is a sugar distributor in the Balkan countries.

€ million	Proportionately consolidated companies	
28/29 February	**2009**	2008
Non-current assets	118.1	113.2
Inventories	*20.3*	*33.4*
Receivables and other assets	*37.6*	*22.0*
Cash and cash equivalents and securities	*4.1*	*1.0*
Current assets	61.9	56.4
Total assets	**180.1**	**169.6**
Shareholders' equity	63.8	60.1
Non-current liabilities	15.9	21.1
Current liablilities	100.4	88.4
Total liabilities and equity	**180.1**	**169.6**
Revenues	145.8	107.6
Net earnings for the year	10.7	7.6

The **equity method** was used without change for 8 (8) companies.

€ million	Companies included at equity	
28/29 February	**2009**	2008
Non-current assets	5.3	5.8
Inventories	*19.4*	*22.9*
Receivables and other assets	*54.3*	*209.7*
Cash and cash equivalents and securities	*128.5*	*26.9*
Current assets	202.2	259.5
Total assets	**207.5**	**265.3**
Shareholders' equity	133.2	111.3
Non-current liabilities	0.7	0.6
Current liabilities	73.6	153.4
Total liabilities and equity	**207.5**	**265.3**
Revenues	243.3	308.9
Income from associated companies	21.6	23.4

(3) Consolidation methods

Under IFRS all business combinations are to be accounted for using the purchase method. The purchase price of the acquired subsidiary is allocated to the assets acquired and liabilities and contingent liabilities assumed. The value ratios at the date control of the subsidiary was obtained are considered to be significant. Assets and assumed liabilities and contingent liabilities that qualify for recognition are recognized - independent of the investment amount - in full at their fair value. Intangible assets are recognized separately from goodwill if they are separable from companies or if they result from contractual or other legal rights. Remaining differences are capitalized as goodwill. Negative goodwill arising from initial consolidation is recognized in profit or loss.

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).

With joint ventures, as part of the proportionate consolidation, the assets, liabilities and contingent liabilities as well as the income statement are only included in the consolidated financial statements with the share that is attributable to the Group. 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 is recorded as other financial income in the income statement. This amounted to € 1.1 (0.0) million in the financial year just ended. 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). In the case of foreign currency gains and losses from the measurement of assets and liabilities within the scope of the Group financing, the translation occurs at an adjusted average rate if the application of the average rate for the year leads to incorrect results. The remaining 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			
		28.02.2009	29.02.2008	**2008/09**	2007/08
Australia	AUD	1.99	1.62	1.80	1.63
Brazil	BRL	3.01	2.55	2.75	2.63
Chile	CLP	760.38	697.35	779.52	713.94
Denmark	DKK	7.45	7.45	7.46	7.45
Great Britain	GBP	0.89	0.77	0.82	0.70
Mexico	MXN	19.14	16.24	16.73	15.25
Moldova	MDL	13.63	16.89	14.84	16.56
Poland	PLN	4.66	3.53	3.66	3.73
Romania	RON	4.30	3.73	3.78	3.39
Russia	RUB	45.50	36.45	37.75	35.30
Singapore	SGD	1.96	2.12	2.05	2.08
Czech Republic	CZK	28.09	25.23	25.31	27.37
Turkey	TRY	2.16	1.82	1.97	1.77
Ukraine	UAH	9.84	7.66	8.11	7.06
Hungary	HUF	300.46	264.15	256.74	252.24
USA	USD	1.26	1.52	1.44	1.40

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 2008/09 was a reduction of fixed assets by € 21.1 million and shareholders' equity by € 85.6 million, primarily due to exchange rate declines of the Polish zloty, the Hungarian forint and the Chilean peso (year-end rates).

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

(5) Accounting policies

Acquired **goodwill** is 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 or when there is an indication of impairment. 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. 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). If the reasons for a previously recognized impairment no longer exist, the assets are written back in the income statement; however, the reversal cannot exceed the carrying amount that would have been determined had no impairment been recognized in the earlier periods. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Investments in associates are initially recognized at cost using the equity method and subsequently recognized according to the amortized interest in net assets. This increases or decreases the carrying amounts annually by the share in profit or loss, dividend distributions and other changes in shareholders' equity. Goodwill is included in the carrying amount of the investments in associates and is subject to an annual impairment test as set out in IAS 36 (Impairment of Assets). In principle, the equity method is used for investments 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** belong almost exclusively to the category "available for sale". Included in this category are financial instruments which are neither loans and receivables, nor are they held to maturity, nor are they recognized at market value through profit or loss. They are carried in the initial and subsequent reporting periods at market value if this value is reliably measurable; otherwise the reporting is at amortized costs. Initial measurement takes place at the settlement date. Unrealized gains and losses are reported directly in the revaluation surplus of equity taking into account deferred taxes. The gain or loss resulting from disposal is recorded in the income statement. If material, objective evidence exists for the impairment of an asset, the asset is written down. 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. Finance charges are not considered here. Where necessary, the lower net realizable value less costs to complete is used. In general, this is based on the net realizable value of the finished product. If the net disposal proceeds have increased for inventories that were previously written down, the write-downs are reversed to this extent.

Receivables and other assets are measured at market value at the time of initial recognition and subsequently at amortized cost using the effective interest method. 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. These are also measured at market value if this value is reliably measurable; otherwise the reporting is at amortized costs. Unrealized gains and losses are reported directly in the fair value reserve of equity taking into account deferred taxes. The gain or loss resulting from disposal is recorded in the income statement. If material, objective evidence exists for the impairment of an asset, the asset is written down.

Cash and cash equivalents are included at nominal value, which regularly corresponds to their market value; they comprise cash on hand and bank balances.

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.

CO_2 emission rights are recognized in accordance with IAS 38 (Intangible Assets), IAS 20 (Government Grants) and IAS 37 (Provisions). CO_2 emission rights issued for each calendar year are intangible assets, which are classified as other current assets. They are measured at cost, which, in the case of emission rights issued at no charge, is 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 for defined benefit plans are determined as set out in IAS 19 (Employee Benefits) using the projected credit method. With the projected unit credit method not only the pensions known at the effective date and acquired benefits are considered but also future adjustments to salaries and pensions. The calculation relies on actuarial reports taking into account biometric data.

Provisions for pensions and similar obligations are reduced by the assets recognized to cover pension obligations. The service cost is presented in personnel expenses; the interest effect of projected pension obligations as well as the expected return on plan assets is reported in the financial result.

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 distributed over the expected average remaining working lives of the pension plan beneficiaries and recognized in profit or loss in the provision to the extent they fall outside of this corridor.

Payments for defined contribution plans are recognized as an expense when due, and reported under personnel expenses. Payments for state benefit plans are treated the same as those for defined contribution plans.

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 percent. 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 carryforwards, to the extent they can be offset against future taxable income. Deferred tax assets and deferred tax liabilities are recognized separately on the face of the balance sheet. Deferred tax assets have been offset against deferred tax liabilities to the extent the related taxes on income are imposed by the same tax authorities. 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 historical cost and the 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 (30) and (31) 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.

For **research and development expenses**, 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.

Judgments must be made in the application of accounting policies. This is especially true for the following issues: In the case of certain contracts, a decision must be made whether they should be treated as derivatives or as so-called own-use contracts and be accounted for as executory contracts.

Financial assets are to be allocated to the categories "held-to-maturity investments", "loans and receivables", "available-for-sale financial assets", and "financial assets at fair value through profit or loss". With "available-for-sale financial assets" a decision must be made whether and when an impairment is to be recognized as a write-down in the income statement. The decisions made in the Südzucker Group with regard to these issues are described in the explanation of the accounting policies for financial instruments.

The preparation of the consolidated financial statements under IFRS requires that **assumptions** and **estimates** be made. These **management assessments** can impact the valuation of the assets and liabilities recognized, the income and expenses, and the disclosure of contingent liabilities.

Assumptions and estimates are also related to the accounting and measurement of provisions. With regard to provisions for pensions and similar obligations, the discount rate is one of the very important estimates. The discount rate for pension obligations is determined by reference to market yields observable at the balance sheet date on high-quality, fixed-rate corporate bonds, making analytically derived assumptions about the age at entry into the pension benefits, life expectancy, turnover rates and future wage and pension increases.

The recoverability of goodwill is assessed based on forecasts for the cash flows of cash generating units for the next five years using a discount rate adjusted for the business risks.

Deferred tax assets are recognized to the extent that the recoverability of future tax benefits is probable. The actual tax result situation of subsequent periods and therefore the actual utility of deferred tax assets can vary from the assessment at the time of recognition of the deferred taxes.

Further explanatory notes on the underlying assumptions and estimates made for these consolidated financial statements are given in the disclosures on individual items in the financial statements.

All assumptions and estimates are based on the circumstances and assessments at the balance sheet date. In assessing the expected business development, the future economic environments in which the Group will operate and which are assumed to be realistic at the balance sheet date were also considered. The actual amounts may vary from the estimates should the conditions develop counter to our assumptions. If this is the case, the assumptions are adjusted and, where necessary, the carrying amounts of the affected assets and liabilities as well.

Notes to the income statement

(6) Revenues

Revenues are detailed in the note on segment information.

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

€ million	**2008/09**	2007/08
Change in work in progress and finished goods inventories	-283.6	127.1
Internal costs capitalized	6.6	8.1
	-277.0	**135.2**

During the 2008/09 financial year inventories decreased by € 299.1 million, which was primarily the result of a reduction in quota sugar production. At the same time, production costs dropped due to a lower beet price and lower EU restructuring levy compared to last year.

(8) Other operating income

€ million	**2008/09**	2007/08
Income from special items	136.1	141.5
Gain on sales of current and non-current assets	26.1	15.0
Foreign exchange and currency translation gains	10.9	4.0
Other income	65.4	96.7
	238.5	**257.2**

Income from special items mainly comprised income from claims to EU restructuring assistance as part of the second wave, which totaled € 141 million. In the previous year the income of € 305 million from claims to EU restructuring assistance as part of the first wave was included under this item, less the disposal of sugar quotas acquired in previous years as part of the quota return.

(9) Cost of materials

€ million	**2008/09**	2007/08
Cost of raw materials, consumables and supplies and of purchased merchandise	3,222.5	3,259.4
Cost of purchased services	226.6	243.4
	3,449.1	**3,502.8**

(10) Personnel expenses

€ million	2008/09	2007/08
Wages and salaries	513.1	530.0
Social security, pension and welfare expenses	149.7	178.1
	662.8	**708.1**

Average number of employees during the year

By segment	2008/09	2007/08
Sugar	8,598	10,043
Special products	4,142	3,773
CropEnergies	272	130
Fruit	4,927	4,696
	17,939	**18,642**

By geographic area	2008/09	2007/08
Germany	4,141	4,095
Other EU	9,445	10,315
Eastern Europe	1,869	2,054
Other countries	2,484	2,178
	17,939	**18,642**

The average number of employees in the Group for the 2008/09 financial year showed a year-on year decline to 17,939 from 18,642. The loss of 1,315 employees in the sugar segment was due to necessary plant closings and cost reduction measures.

(11) Depreciation

€ million	2008/09	2007/08
Intangible assets	13.3	34.9
Fixed assets	217.7	219.1
Depreciation and amortization	**231.0**	**254.0**
Intangible assets	0.0	9.4
Fixed assets	21.2	45.2
Impairment losses	**21.2**	**54.6**
Income from reversals of impairment losses	**-2.6**	**-13.1**
	249.7	**295.5**

The impairment losses on fixed assets in the amount of € 21.2 million (€ 45.2 million) were mainly related to the closing of sugar plants in Raciborz, Wroclaw, Wroblin and Otmuchow in Poland and the beet receiving facility in Hollogne, Belgium.

(12) Other operating expenses

€ million	2008/09	2007/08
EU restructuring levy	377.0	618.1
Selling and advertising expenses	358.6	339.0
Operating and administrative expenses	226.5	248.5
Expenses due to restructuring costs and special items	10.5	99.5
Leasing and rental expenses	33.1	35.2
Production levy	28.1	32.2
Losses on disposals of current and non-current assets	32.7	28.7
Foreign exchange and currency translation losses	10.4	8.2
Other expenses	49.0	66.9
	1,125.9	**1,476.3**

The decrease in other operating expenses by € 350.4 million to € 1,125.9 million (€ 1,476.3 million) resulted mainly from the lower contribution rate of € 113.30/t (€ 173.80/t) for contributions to the EU restructuring fund of € 377.0 million (€ 618.1 million).

The expenses from restructuring and special items of € 10.5 million (€ 99.5 million) were mainly incurred for restoration obligations in connection with the closing of plants in Raciborz, Wroclaw, Wroblin and Otmuchow in Poland, the beet receiving facility in Hollogne, Belgium, and the start-up costs of the bioethanol plants in Belgium and Austria.

(13) Income from operations

€ million	2008/09	2007/08
Profit from operations	**345.3**	**189.3**
of which operating profit before restructuring costs and special items	257.7	233.1
of which restructuring costs and special items	87.6	-43.8

Income from operations of € 345.3 million (€ 189.3 million) for the 2008/09 financial year breaks down into an operating profit of € 257.7 million (€ 233.1 million) plus the results of restructuring and special items of € 87.6 million (€ -43.8 million).

The results of restructuring and special items in the amount of € 87.6 million (€ -43.8 million) were again influenced by the restructuring of the sugar sector. In March 2008 the Südzucker Group returned another 0.26 million tonnes of sugar quotas in connection with the second wave and received € 141 million for this from the EU restructuring fund. On the other side were the expenses for the closing of the plants in Raciborz, Wroclaw, Wroblin and Otmuchow in Poland as well as the beet receiving facility in Hollogne, Belgium. With these measures Südzucker is systematically optimizing its production structures and achieving related cost savings. Last year the restructuring expenses were attributable to the closing of plants in Germany, France and Belgium and the optimization of the packaging structures in France.

In the CropEnergies segment the results of restructuring and special items of € -11.0 million (€ -5.0 million) were mainly attributable to start-up costs for commissioning the bioethanol plant in Wanze, Belgium.

(14) Income from associated companies

€ million	2008/09	2007/08
Income from associated companies	**21.6**	**23.4**

Income from associated companies totaling € 21.6 million (€ 23.4 million) exclusively attributable to the sugar segment largely comprises income from the phaseout of Eastern Sugar B.V. and the prorated income from the sales joint venture Maxi S.R.L., Bolzano, Italy.

(15) Financial income and expense

€ million	2008/09	2007/08
Interest income	29.7	29.2
Other financial income	37.5	20.4
Financial income	**67.2**	**49.6**
Interest expense	-136.8	-126.1
Other financial expense	-65.4	-16.2
Financial expense	**-202.2**	**-142.3**
Financial expense, net	**-135.0**	**-92.7**

The financial result worsened year-over-year by € -42.3 million to € -135.0 million (€ -92.7 million), which, in addition to a higher interest expense as a result of a higher average indebtedness, is also attributable to largely measurement-related, non cash-relevant foreign exchange losses from the Group financing of our Eastern European companies in euros. Interest expense on pensions and similar obligations totaled € 22.2 million (€ 20.3 million).

(16) Taxes on income

The projected theoretical tax expense of 29.1 % for the past 2008/2009 financial year was calculated by applying the German corporate income tax rate of 15.0 % plus the solidarity surcharge and the trade tax on income.

The income tax expense of € 48.7 million (€ 20.3 million) was € 18.8 million (€ 14.7 million) less than the expected income tax expense of € 67.5 million (€ 35 million).

Reconciliation of the expected and recognized income tax expense is as follows:

€ million	**2008/09**	2007/08
Earnings before taxes on income	231.9	120.0
Theoretical tax rate	29.1 %	29.1 %
Theoretical tax expense (credit) (+)/–income (–)	**67.5**	**35.0**
Change in theoretical tax expense as a result of:		
Different tax rates	9.1	-4.6
Tax reduction for tax-free income	-35.0	-33.8
Tax increase for non-deductible expenses	5.0	19.9
Other	2.1	3.8
Taxes on income	**48.7**	**20.3**
Effective tax rate	**21.0 %**	**16.9 %**

The tax expense of € 48.7 million (€ 20.3 million) was comprised of current taxes paid or payable of € 94.4 million (€ 130.8 million) and € 45.7 million (€ 110.5 million) deferred tax income.

Deferred tax is in particular the result from temporary differences between tax accounting measures and the assets and liabilities recognized as set out in IFRS as well as from tax loss carryforwards. Income from deferred tax resulted mainly from tax loss carryforwards. Deferred tax assets of € 171.6 million (€ 152.3 million) were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 191.8 (€ 203.8 million) were not recognized as it is unlikely that the tax assets will be recoverable in the foreseeable future. Structural changes within the Group made it possible to utilize loss carryforwards of € 29.3 million previously not recognized as deferred tax assets. Deferred tax for carried interest of € 11.8 million was not recognized as the utilization of this in future assessment years is unlikely.

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 € 2.8 million (€ 3.4 million) at February 28, 2009.

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	2009	2008	2009	2008
Fixed assets and intangible assets	72.0	95.9	165.1	171.9
Inventories	3.0	4.9	76.4	105.7
Other assets	17.0	40.8	7.8	32.5
Tax-free reserves	3.3	0.0	62.3	29.8
Provisions	36.4	35.9	17.1	67.1
Liabilities	13.3	4.1	44.6	32.0
Tax loss carry forwards	171.6	152.3	0.0	0.0
	316.6	**333.9**	**373.3**	**439.0**
Offsets	-208.3	-273.8	-208.3	-273.8
Balance sheet	**108.3**	**60.1**	**165.0**	**165.2**

(17) Research and development expenses

The main focus of the Südzucker Group's research and development activities is on developing new products and product variants, 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 was carried out by some 373 (391) staff. Research and development expenses amounted to € 36.0 million (€ 36.3 million).

(18) Earnings per share

€ million	**2008/09**	2007/08
Net earnings for the year	183.2	99.7
of which attributable to hybrid capital	26.2	26.2
of which attributable to other minority interest	-5.2	54.0
of which attributable to shareholders of Südzucker AG	162.2	19.5
Earnings in € per share undiluted/diluted	**0.86**	**0.10**

Of the Group earnings for the year of € 183.2 million (€ 99.7 million), earnings of € 26.2 million (€ 26.2 million) are attributable to holders of the hybrid capital. Other minority interests consist mainly of minority shareholders of the AGRANA Group, which contributed a share of € -5.2 million (€ 54.0 million) to the annual results of the AGRANA subgroup, leaving shareholders of Südzucker AG with consolidated net earnings for the year of € 162.2 million (€ 19.5 million). Based on a weighted average number of 189.4 million shares outstanding in 2008/09, earnings per share calculated in accordance with IAS 33 (Earnings per Share) were € 0.86 per share.

(19) 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 2008/09 amounted to € 503.8 million (€ 498.0 million). Other non-cash expenses presented in the cash flow statement of € 116.5 million (€ 116.5 million) are mainly related to inventory devaluations, impairment losses on trade receivables, and unrealized currency exchange losses. Investments of € 384.3 million (€ 496.8 million) for fixed assets and intangible assets were particularly used for expanding the bioethanol activities of the CropEnergies Group. Investments on financial assets of € 40.1 million (€ 53.0 million) were attributable to Yongji Andre Juice Co., Ltd., Yongji, China, a joint venture operated by AGRANA Juice GmbH and AGRANA Studen Sugar Trading GmbH, Vienna, a sales joint venture for sugar in the Balkan countries. Moreover, additional minority interests were acquired in the French Saint Louis Sucre S.A., Paris.

Profit distributions throughout the Group totaled € 133.8 million (€ 161.5 million) and included € 75.7 million (€ 104.1 million) paid out to Südzucker AG's shareholders and € 58.1 million (€ 57.4 million) in dividend distributions to minority interests.

Dividends from associated companies and other investments amounted to € 13.6 million (€ 37.0 million). Income taxes paid were € 110.8 million (€ 49.7 million) and were allocated to operating activities and back duties from previous years. Financing-related interest payments amounted to € 115.0 million (€ 104.1 million) and interest receipts were € 13.1 million (€ 28.8 million).

Notes to the balance sheet

(20) Intangible assets

€ million	Goodwill	Concessions, industrial and similar rights	Total
Acquisition costs			
1 March 2008	1,693.2	170.2	1,863.4
Change in companies incl. in the consolidation/ currency translation/other changes	19.2	-0.3	18.9
Additions	0.1	13.6	13.7
Transfers	0.0	1.0	1.0
Disposals	0.0	-7.8	-7.8
28 February 2009	1,712.5	176.7	1,889.2
Amortization and impairment losses			
1 March 2008	-588.8	-112.2	-701.0
Change in companies incl. in the consolidation/ currency translation/other changes	0.1	0.7	0.8
Amortization for the year	0.0	-13.3	-13.3
Impairment losses	0.0	0.0	0.0
Transfers	0.0	0.0	0.0
Disposals	0.0	5.2	5.2
28 February 2009	-588.7	-119.6	-708.3
Net carrying amount as at 28 February 2009	**1,123.8**	**57.1**	**1,180.9**
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**

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

As set 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 amount 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 amount.

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 and fruit segments as well as the Beneo and PortionPack divisions.

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

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 on the five-year plan valid at the time of carrying out the impairment test. These budgets are based on experience as well as expectations of future market developments.

The five-year plan takes into consideration general economic data and is based on the expected development of the overall economic framework data derived from external economic and financial studies. In particular, country-specific assumptions are also made on the development of GDP, consumer prices and nominal wages.

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 returns expected by Südzucker shareholders. The borrowing costs used represent the actual financial conditions of the company. In August of 2008, the pre-tax discount rate calculated from the weighted average cost of capital of the Südzucker Group was 9.3 % (9.3%).

We have assumed a growth rate to perpetuity after the five-year budget period of 1.5 % (1.5 %) for the CGUs with growth rates. The growth rate used to discount the perpetual annuity is below the growth rates determined in the detailed planning period and is primarily used to offset a general rate of price increases. Cash flows are measured less the Investments required to generate the assumed cash flow growth. These investment quotas are based on historical experience and take into account the replacement costs for means of production planned in the budget period.

The carrying amounts of goodwill developed as follows:

€ million 28/29 February	2009		2008	
CGU Sugar	767.7	68.3 %	752.6	68.1 %
CGU Freiberger	158.8	14.1 %	158.4	14.3 %
CGU BENEO	86.6	7.7 %	86.6	7.8 %
CGU PortionPack	34.4	3.1 %	34.0	3.1 %
CGU Fruit	76.3	6.8 %	72.8	6.6 %
	1,123.8	**100 %**	**1,104.4**	**100 %**

No impairment was necessary in the 2008/09 financial year resulting from the annual goodwill impairment test or other circumstances as the value in use of the individual CGUs was higher than the carrying amount. The goodwill impairment test is based on assumptions concerning the future. From the current prospective it is not anticipated that changes to these assumptions would lead to the carrying amounts of the CGUs exceeding their recoverable amount (value in use) and thereby require an adjustment in the next financial year. At the measurement date the values in use were significantly higher than the carrying amounts of the CGUs.

The key planning assumptions for the sugar CGU are determined based on the EU sugar market regulation and its regulatory environment. Here, the key assumptions of corporate planning are the estimates for the development of the EU sugar quotas, sugar imports, sugar revenues, and raw material and energy prices.

The five-year plan starting in fiscal 2008/09 takes into account lower revenues as a result of lower quota sugar production and sugar price reductions. Strengthening the industrial sugar business and expanding refining will largely compensate for this reduction in revenues. Operational planning for the sugar CGU will also benefit from positive effects of the restructuring and cost-cutting measures as a result of the repatriation of investments and reduction of the working capital commitment. The restructuring phase in the EU sugar market ends in the 2009/10 financial year, which will eliminate the temporary burdens of the market regulation reform. Südzucker is offsetting the missing profit contributions from reduced quotas with cost-cutting programs. Maintaining balanced market conditions is of crucial importance. Against this backdrop Südzucker expects a significant increase in operating profit for 2009/10 in the sugar segment. 2010/11 will be the first complete financial year without influences from the EU restructuring phase, and will consequently lead to a moderate increase in the operating profit compared to 2009/10.

With regard to the determination of the value in use for the sugar CGU, Südzucker management is convinced that no reasonable change in the abovementioned central assumptions for the five-year plan would lead to the value in use falling below the carrying amount of the sugar CGU.

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, 2/9 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.

(21) Fixed assets

€ 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 2008	1,606.2	4,142.7	344.0	236.4	6,329.3
Change in companies incl. in the consolidation/ currency translation/other changes	-58.0	-83.0	-9.0	-5.7	-155.7
Additions	34.4	93.4	16.7	226.2	370.7
Transfers	27.1	77.4	5.1	-110.6	-1.0
Disposals	-58.2	-148.5	-19.3	-1.3	-227.3
28 February 2009	1,551.5	4,082.0	337.5	345.0	6,316.0
Depreciation and impairment write-downs					
1 March 2008	-761.5	-2,776.2	-253.0	-0.7	-3,791.4
Change in companies incl. in the consolidation/ currency translation/other changes	26.1	50.9	5.9	0.1	83.0
Depreciation for the year	-40.8	-153.3	-23.6	0.0	-217.7
Impairment losses	-4.8	-16.0	-0.3	-0.1	-21.2
Transfers	0.4	-0.4	0.0	0.0	0.0
Disposals	36.9	142.0	18.9	0.0	197.8
Write-ups	0.0	2.6	0.1	0.0	2.7
28 February 2009	-743.7	-2,750.4	-252.0	-0.7	-3,746.8
Net book value at 28 February 2009	**807.8**	**1,331.6**	**85.5**	**344.3**	**2,569.2**
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	-8.4	-2.4	-3.1	-5.5
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	4,142.7	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	126.8
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 carrying amount at 29 February 2008	**844.7**	**1,366.5**	**91.0**	**235.7**	**2,537.9**

The carrying amount of fixed assets of € 2,569.2 million (€ 2,537.9 million) was slightly higher than the previous year. The changes attributable to foreign currency differences are mainly due to exchange rate losses of the Polish zloty and the Chilean peso (year-end rate), leading to a reduction in fixed assets by € 21.1 million.

The Investments on fixed assets were reduced to € 370.7 million from € 475.7 million in the previous year as planned. The sugar segment's capital outlay of € 115.1 million (€ 131.9 million) was largely allocated to replacement spending and the completion of a new cane sugar refinery in Brčko, Bosnia. In the CropEnergies segment, the Investments of € 170.0 million (€ 146.6 million) were for the bioethanol plant in Wanze, Belgium, and the expansion of capacities at the bioethanol plant in Zeitz.

Investments of € 57.4 million (€ 156.2 million) in the special products segment and € 28.2 million (€ 41.0 million) in the fruit segment were primarily related to replacement spending.

Deductions in carrying amounts (disposals at acquisition cost less depreciation and impairment losses) of € 29.5 million (€ 29.3 million) related 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 € 21.2 million (€ 45.2 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.

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

€ million	Shares in associated companies	Securities	Other investments and loans
1 March 2008	64.1	19.5	115.1
Change in companies incl. in the consolidation/ currency translation/other changes	-0.2	-0.8	-4.5
Additions	0.0	1.7	0.7
Share of profits	21.6	0.0	0.0
Transfers	-0.6	85.0	-84.4
Disposals	-8.9	-0.3	-1.2
Impairment losses	0.0	0.0	-3.0
Reversals of impairment losses	0.0	0.0	0.0
28 February 2009	**76.0**	**105.1**	**22.7**
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**

(23) Inventories

€ million 28/29 February	2009	2008
Raw materials and supplies	284.6	274.1
Work in progress and finished goods		
Sugar	1,398.3	1,595.5
Special products	155.6	153.0
CropEnergies	16.5	9.2
Fruit	105.8	138.0
Merchandise	35.8	125.9
	1,996.6	**2,295.7**

At € 1,996.6 million (€ 2,295.7 million), inventories were € 299.1 lower than last year's level. For the most part this was due to reduced quota sugar production, as the Südzucker Group returned a total of 0.87 million tonnes of quota to the EU restructuring fund within the scope of the first and second wave in January and March of 2008.

It is not possible to profitably dispose of partial quantities of the sugar inventories as of February 28, 2009 and it was therefore necessary to write these down by € 36.2 million (€ 102.3 million) to their net realizable value. Write-downs of € 0.6 million (€ 3.7 million) and € 0.2 million (€ 0.0 million) were necessary in the special products segment and in the CropEnergies segment, respectively. In the fruit segment, a write-down on the apple juice concentrate inventories from the previous year's harvest of € 32.4 million to the net realizable value was already necessary during the year; these inventories were sold off in large scale at the end of the financial year. Write-downs of € 2.1 million were necessary in the previous year in this segment.

(24) Trade receivables and other assets

		Remaining term			Remaining term	
€ million 28/29 February	2009	to 1 year	over 1 year	2008	to 1 year	over 1 year
Trade receivables	667.5	667.5	0.0	727.1	727.1	0.0
Receivables relating to EU restructuring assistance, export recoveries, etc.	447.9	447.9	0.0	327.5	36.5	291.0
Other taxes recoverable	90.8	90.8	0.0	108.0	108.0	0.0
Positive market value derivatives	5.9	5.9	0.0	4.4	4.4	0.0
Other financial assets	53.4	45.0	8.4	85.5	72.7	12.9
Other non-financial assets	44.1	44.1	0.0	19.2	19.2	0.0
	1,309.6	**1,301.2**	**8.4**	**1,271.7**	**967.8**	**303.9**

In substance, receivables relating to EU restructuring assistance, export recoveries, etc. resulted from the voluntary return of quotas as part of the first and second wave, in which the Südzucker Group participated with a return of 0.87 million tonnes.

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

€ million 28/29 Februar	2009	2008
Total trade receivables	705.5	746.7
Value adjustement	-38.0	-19.6
Net book value	**667.5**	**727.1**

The default risk from trade receivables has risen as a result of the financial market crisis. Südzucker mitigates 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, and credit management throughout the Group has been further standardized and expanded. The higher overall risk had to be accounted for with increased allowances.

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

€ million	2008/09	2007/08
Value adjustements at 1 March	**19.6**	**13.9**
Change in companies incl. in the consolidation/ currency translation/other changes	0.3	-0.3
Additions	23.9	11.6
Use	-2.4	-2.2
Release	-3.4	-3.4
Value adjustements at 28/29 February	**38.0**	**19.6**

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables before the allowance for impairment losses totaled € 667.5 million (€ 727.1 million), while the aging structure of past-due receivables is as follows:

€ million 28/29 February	2009	2008
Receivables not past due before allowances	493.4	568.6
Past-due receivables without specific-debt allowances		
up to 10 days	45.7	73.3
11 to 30 days	45.6	34.1
31 to 90 days	52.7	29.0
> 90 days	30.1	22.1
Net carrying amount	667.5	727.1
Receivables including specific-debt allowances	38.0	19.6
Total trade receivables	**705.5**	**746.7**

(25) Shareholders' equity

As of February 28, 2009, the subscribed capital is valued at € 189.4 million and consists of 189,353,608 non-par shares, each of which represents a notional holding of € 1.00 per share.

Share capital was conditionally increased by up to € 13,000,000 through the issuance of up to 13,000,000 new shares. This conditional capital increase is intended to meet the conversion rights arising from the convertible bond issued on December 8, 2003. The right to demand conversion expired on December 8, 2008 as set out in the terms and conditions of the bond. No conversion rights were claimed by that date, making the conditional capital invalid. The convertible bond was paid back on December 8, 2008 using existing funds.

By resolution of the annual general meeting on July 29, 2008, share capital was again conditionally increased by up to € 15,000,000 through the issuance of up to 15,000,000 new shares. This conditional capital increase will only be carried out to the extent necessary to meet the conversion or option rights from participation certificates or convertible or optional bonds, which can be issued until July 28, 2013. However, participation certificates or convertible or optional bonds have not been issued to date.

No authorized capital exists.

The capital reserves contain the premium from capital increases.

Retained earnings include the revaluation surplus, the effects of consolidation-related foreign currency translation, and the undistributed profit for the period. The revaluation surplus includes the measurement of securities not recognized through profit or loss, cash flow hedges, and the foreign currency translation from net investments in foreign subsidiaries.

In summer 2005 Südzucker issued a hybrid bond with a total volume of € 700 million and a coupon of 5.25 % p.a.. 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.

Based on net earnings of € 183.2 million (€ 99.7 million) and the remaining income and expenses recognized directly in equity of € -118.4 million (€ 15.5 million), the following leads to comprehensive income of € 64.8 million (€ 112.7 million) recognized directly in equity, with € 79.7 million (€ 38.8 million) attributable to shareholders of Südzucker AG:

€ million	2008/09	2007/08
Net earnings for the year	**183.2**	**99.7**
Market value of securities available for sale		
Changes in cumulative other comprehensive income of the Group recognized directly in equit	0.9	-8.0
Realized other comprehensive income reclassified to profit or loss	4.5	-3.4
Market value of hedging instruments (cashflow hedge)		
Changes in cumulative other comprehensive income of the Group recognized directly in equit	-11.5	5.1
Realized other comprehensive income reclassified to profit or loss	-4.2	0.4
Exchange differences on net investments in foreign operations	-25.3	2.9
Deferred taxes on revaluation gains and losses recognized directly in equity	2.8	0.6
Market valuations and exchange differences on net investments	-32.8	-2.4
Foreign currency translation differences from consolidation	-85.6	17.9
Income and expenses recognized directly in equity	**-118.4**	**15.5**
Total	**64.8**	**115.2**
of which attributable to Südzucker AG shareholders	79.7	38.8
of which attributable to hybrid equity capital	26.2	26.2
of which attributable to other minority interests	-41.1	50.2

(26) 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 are calculated actuarially using the projected unit credit method and estimated future trends in accordance with IAS 19 (Employee Benefits).

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

in %	28/29 February	2009	2008
Discount rate		5.5	5.5
Expected increase in remuneration		2.5	2.0
Expected increase in pension		1.8	1.8
Expected return on plan assets		5.5	5.5

Discounting for pension obligations is calculated on the basis of high-grade fixed interest corporate bond yields observed in the financial markets on the balance sheet record date. The Heubeck 2005 G actuarial tables were used domestically as the biometric basis for calculation.

Pension expense is made up as follows:

€ million	2008/09	2007/08
Current service cost	8.8	9.9
Interest cost	22.2	20.3
Actuarial losses (+) and gains (-) expensed	1.0	3.1
	32.0	**33.3**

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 € 37.7 million (€ 43.4 million) for the Group. The company has no further obligation after paying the contributions.

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

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.

The development of plan assets is shown below:

€ million	2008/09	2007/08
Plan assets at 1 March	**95.5**	**95.7**
Change in companies consolidated (and other)	0.0	-0.5
Income on plan assets	1.4	5.5
Employer contributions to the funds	6.9	7.4
Employee contributions to the funds	0.2	0.5
Plan settlement	-7.1	0.0
Expenses paid from plan assets	0.0	-0.2
Payments made from plan assets	-13.5	-12.9
Plan assets at 28/29 February	**83.4**	**95.5**

The plan assets consist mainly of fixed interest securities with an associated risk that will guarantee long-term fulfillment of the obligations plus insurance contracts.

Movements in the provisions were as follows:

€ million	2008/09	2007/08
Provision at 1 March	**401.7**	**398.9**
Change in companies consolidated (and other)	0.1	0.4
Pension expenses	32.0	33.3
Contributions to fund assets	-0.4	-2.0
Pension payments during the period	-28.9	-28.9
Provision at 28/29 February	**404.5**	**401.7**

Pension payments of € 28.9 million were made in the 2008/09 financial year; comparable pension payments of around € 30 million are expected for the 2009/10 financial year.

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

€ million 28/29 February	2009	2008	2007	2006	2005
Defined benefit obligations for direct pension benefits	505.2	507.4	549.9	550.6	530.5
Fair value of plan assets	-83.4	-95.5	-95.7	-98.0	-87.8
Obligations not covered by plan assets	421.8	411.9	454.2	452.6	442.7
Unamortized actuarial gains and losses	-17.3	-10.2	-55.3	-57.0	-49.7
Provisions for pensions and similar obligations	**404.5**	**401.7**	**398.9**	**395.6**	**393.0**

% 28/29 February	2009	2008	2007	2006	2005
Discount rate	5.50	5.50	4.50	4.50	4.75

The amount of unamortized actuarial gains and losses at February 28, 2009 includes gains on plan assets of € 20.4 million (€ 18.3 million).

(27) Movements in other provisions

2008/09 € million	Personnel expenses	Uncertain liabilities	Total
Status as at 1 March 2008	**121.1**	**271.7**	**392.8**
Change in companies incl. in the consolidation/ currency translation/other changes	1.4	0.6	2.0
Additions	23.0	85.5	108.5
Use	-43.7	-108.8	-152.5
Release	-8.6	-24.0	-32.6
Status as at 28 February 2009	**93.2**	**225.0**	**318.2**

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 decrease from € 121.1 million to € 93.2 million arose principally from the use of provisions set aside for termination benefit plans and part-time early retirement programs in connection with implemented plant closures. Of the total amount of € 93.2 million, € 35.5 million is expected to be used in 2009/10 with the remaining € 57.7 million to be used in subsequent years.

Provisions for uncertain obligations declined from € 271.7 million to € 225.0 million. These are 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 € 81.8 million in the 2009/10 financial year and € 143.2 million in subsequent years.

(28) Trade payables and other liabilities

		Remaining term			Remaining term	
€ million 28/29 February	**2009**	to 1 year	over 1 year	2008	to 1 year	over 1 year
Liabilities to beet growers	**368.3**	368.3	0.0	**424.1**	424.1	0.0
Trade payables	**399.2**	399.2	0.0	**415.0**	415.0	0.0
Liabilities for EU restructuring levy	**363.4**	363.4	0.0	**548.6**	548.6	0.0
Liabilities for production levy	**21.9**	21.9	0.0	**12.1**	12.1	0.0
Liabilities for personnel expenses	**85.9**	84.7	1.2	**90.6**	88.9	1.7
Liabilities for other taxes and social security contributions	**40.2**	40.2	0.0	**32.9**	32.9	0.0
Negative market value derivatives	**15.9**	15.9	0.0	**1.8**	1.3	0.5
Other liabilities	**212.3**	198.1	14.2	**208.1**	189.3	18.8
On-account payments received on orders	**6.0**	6.0	0.0	**4.7**	4.7	0.0
	1,513.1	**1,497.7**	**15.4**	**1,737.9**	**1,716.9**	**21.0**

The decline in liabilities from the EU restructuring levy relates to decreased quota sugar production and a reduced EU restructuring levy of € 113.30 per tonne for the 2008/09 sugar marketing year from € 173.80 per tonne in the previous year.

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

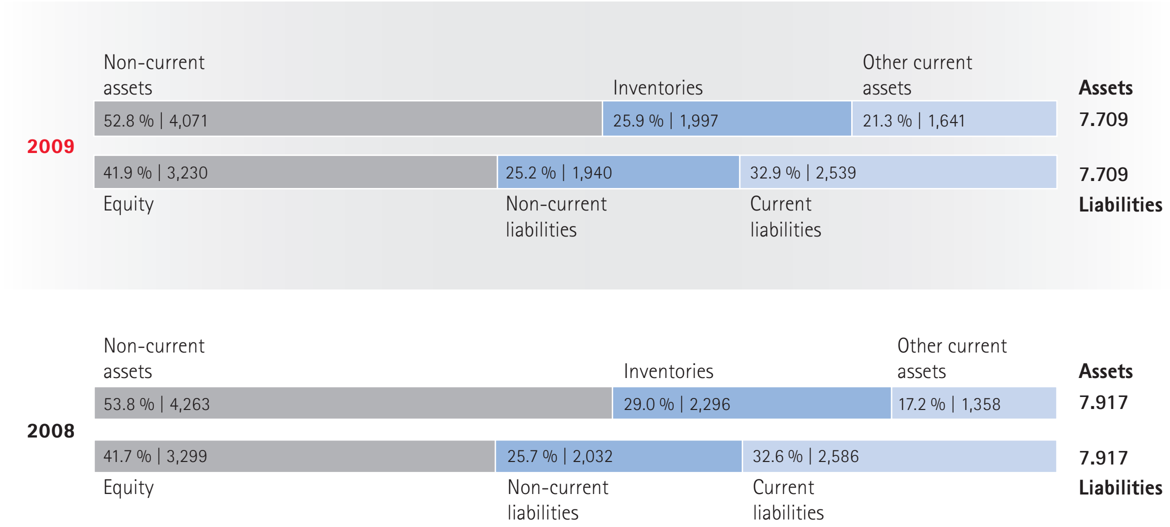
Other liabilities also include liabilities for outstanding invoices and liabilities for other taxes.

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

		Remaining term			Remaining term	
€ million 28/29 February	**2009**	to 1 year	over 1 year	2008	to 1 year	over 1 year
Bonds	**961.7**	144.0	817.7	**1,092.3**	256.8	835.5
(of which convertible)	**29.3**	9.8	19.5	**275.0**	256.8	18.2
Liabilities to banks	**1,082.8**	746.8	336.0	**808.8**	411.9	396.9
Liabilities from finance leasing	**0.5**	0.1	0.4	**0.5**	0.3	0.2
Financial liabilities	**2,045.0**	**890.9**	**1,154.1**	**1,901.6**	**669.0**	**1,232.6**
Securities (non-current assets)	-105.1			-19.5		
Securities (current assets)	-143.5			-157.8		
Cash and cash equivalents	-163.9			-216.6		
Net financial debt	**1,632.5**			**1,507.6**		

Gross financial liabilities increased by € 143.4 million from € 1,901.6 million to € 2,045.0 million. The corresponding increase in net financial debt by € 124.9 million to € 1,632.5 million is attributable to an investment campaign which has now ended as well as temporary financing requirements arising from the increase in working capital. Of total financial debt of € 2,045.0 million, € 1,154.1 million, or 56.4 %, is available to the Südzucker Group in the long-term. The convertible bond of € 250 million paid back in December 2008 was refinanced in part with short-term commercial paper issuances totaling € 114.2 million. In addition, there was also a short-term financing by drawing € 270.0 million from the syndicated line of credit, which led to an increase in liabilities to banks from € 808.8 million to € 1,082.8 million.

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



Assets totaled € 7,709 million; the equity ratio remained unchanged at 42 %. Shareholders' equity and non-current debt together amount to € 5,170 million and thus represent 127 % of non-current assets of € 4,071 million. The € 192 million decline in non-current assets to € 4,071 million was mainly the result of receivables from EU restructuring assistance. Due to the EU directive 320/2006 amended in 2009, the payment from this will be in full by the end of June 2009; these receivables have been reported correspondingly as short-term. Net financial debt as a ratio of equity is equal to 51 %.

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 a ratio of equity to borrowed capital that will enable it to continue its growth strategy both organically 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.

(30) Lending and borrowing activities (primary financial instruments)

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

- Hybrid capital
- Bonds and promissory notes
- 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 % p.a. in summer 2005, which is shown fully as shareholders' equity in accordance with IFRS (see also disclosures in note (25) shareholders' equity).

€ million	28 February 2009	Due date	Coupon	Book value	Fair value	Nominal value
Südzucker Finance B.V. bond		08.06.2010	6.25 %	299.2	313.2	300.0
Südzucker Finance B.V. bond		27.02.2012	5.75 %	499.0	517.8	500.0
Other bonds				49.3	49.3	49.3
Commercial paper				114.2	114.2	114.5
Bonds				**961.7**	**994.5**	**963.8**

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). The convertible bond of € 250 million was due on December 8, 2008 and was paid back with available liquidity. Other bonds having a nominal value of € 49.3 million (€ 48.0 million) and bearing interest at an average of 2.92 % (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 the balance sheet date was € 963.8 million (€ 1,098.0 million) and their fair value was € 994.5 million (€ 1,161.1 million). Of the total bonds with carrying amounts of € 961.7 million (€ 1,092.3 million), bonds for a total of € 922.2 million (€ 1,054.1 million) were fixed-interest bearing and bonds for a total of € 39.5 million (€ 38.2 million) were floating rate securities.

To finance seasonal fluctuations in liquidity levels, the treasury department used overnight and term loans, fixed interest loans or the issuance of **commercial paper (CP)**; funds invested for a period of less than one year were 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. At the balance sheet date of February 28, 2009, commercial papers were issued with a nominal value of € 114.5 million; the carrying amount was € 114.2 million.

Liabilities to banks

28/29 February	2009	to 1 year	over 1 year	2008	to 1 year	over 1 year	Average effective rate of interest in %	
€ million							**2008/09**	2007/08
Fixed coupon								
EUR	344.4	76.3	268.1	347.7	12.2	335.5	3.07	2.82
CSD	0.0	0.0	0.0	0.3	0.1	0.2	0.00	6.88
PLN	0.4	0.2	0.2	0.8	0.3	0.5	4.38	4.38
Sum	**344.8**	**76.5**	**268.3**	**348.8**	**12.6**	**336.2**	**3.07**	**2.84**
Variable interest rate								
EUR	622.3	555.3	67.0	270.5	209.8	60.7	2.26	4.65
CLP	0.0	0.0	0.0	11.8	11.8	0.0	0.00	7.27
CNY	17.9	17.9	0.0	7.0	7.0	0.0	5.49	6.72
CZK	0.0	0.0	0.0	5.5	5.5	0.0	0.00	4.06
DKK	0.0	0.0	0.0	4.2	4.2	0.0	0.00	5.25
GBP	3.6	3.6	0.0	5.3	5.3	0.0	5.79	6.89
HUF	42.1	41.4	0.7	60.9	60.9	0.0	9.89	7.51
PLN	3.6	3.6	0.0	76.3	76.3	0.0	5.11	5.89
SKK	0.0	0.0	0.0	4.3	4.3	0.0	0.00	4.14
USD	48.5	48.5	0.0	14.2	14.2	0.0	1.64	5.38
Sum	**738.0**	**670.3**	**67.7**	**460.0**	**399.3**	**60.7**	**2.76**	**5.38**
Liabilites to banks	**1,082.8**	**746.8**	**336.0**	**808.8**	**411.9**	**396.9**	**2.86**	**4.28**

Liabilities to banks at the balance sheet date were € 1,082.8 million (€ 808.8 million) with an average interest of 2.86 % (4.28 %). Of these liabilities to banks, € 344.8 million (€ 348.8 million) were fixed-interest. At February 28, 2009 liabilities to banks of € 6.0 million (€ 8.0 million) were secured by mortgage rights and € 21.4 million (€ 45.6 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. At the balance sheet date of February 28, 2009 funds totaling € 270 million had been drawn against the line of credit; € 50 million of this is attributable to CropEnergies AG.

Of the **liabilities from finance leases** of € 0.5 million (€ 0.5 million), € 0.1 million (€ 0.3 million) are due within one year and € 0.4 million (€ 0.2 million) are due between one and five years. The leased assets (buildings, technical equipment and machinery) are included in fixed assets at carrying amounts totaling € 0.5 million (€ 1.4 million). The difference between the carrying amounts and liabilities in the previous year resulted from the longer economic life of the assets compared with the shorter repayment period of the lease terms. The nominal value of minimum lease payments totaled € 0.6 million (€ 0.6 million).

Investments in **securities** totaling € 248.6 million (€ 177.3 million) included mainly equities and fixed-interest securities. As a result of temporary working capital financing requirements, **cash and cash equivalents** decreased year-on-year by € 52.7 million from € 216.6 million to € 163.9 million. As part of daily treasury management, these funds are invested in standard money market overnight and time deposits.

(31) Derivative Instruments

The 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 Investments. The 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 risk that can primarily arise from sales of Isomalt, Palatinose, Raftiline/Raftilose, sugar and fruit juice concentrates/fruit preparations in US dollars and Eastern European currencies, from the financing of Eastern European companies in euro-based loans, and from payment obligations in foreign currencies.

Product price 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 authorization procedures, prohibit the use of derivative instruments for speculative purposes, minimize credit risks and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines 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.

Credit risks arise from the positive fair values of derivatives. These credit risks are minimized by only making financial derivative transactions with banks with a high credit ranking.

The nominal and net 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	**2009**	2008	**2009**	2008	**2009**	2008
Interest rate hedges	50.0	61.0	-0.4	-1.5	1.4	0.0
Currency hedges	184.0	106.5	-9.9	-0.2	3.5	0.9
Product price hedges	48.7	34.5	0.3	4.4	1.0	3.2
Total	**282.7**	**202.0**	**-10.0**	**2.7**	**5.9**	**4.1**

The nominal volume of interest rate derivatives in the 2008/09 financial year of € 50.0 million (€ 61.0 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 € 77.5 million to € 184.0 million (€ 106.5 million) is due to the increase in hedging of sales proceeds and raw materials purchases denominated in foreign currencies. The increase in the nominal volume of product-related derivatives by € 14.2 million to € 48.7 million (€ 34.5 million) is primarily due to the expansion of wheat futures contracts for increased 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 ten 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 28, 2009 totaled € -8.6 million (€ 4.2 million). Mark-to-market changes previously recognized directly in equity are reclassified to profit or loss at the time that they are realized. As in the previous year, all cash flow hedges were effective as the relation of the mark-to-market changes of underlying and hedging transactions were within the designated interval of 80 to 125 %. Thus no ineffective transactions were recognized in the income statement.

In response to a 1.0 % increase in the market interest rate or an exchange rate gain of the US dollar, the British pound sterling, the Australian dollar, the Polish zloty, the Czech koruna, the Romanian leu or the Hungarian forint of, respectively, 10 %, the market value of the derivatives contracts entered into as at February 28, 2009 would change as follows (sensitivity):

€ million	Nominal volume		Fair value		Sensitivity	
28/29 February	**2009**	2008	**2009**	2008	**2009**	2008
Interest rate hedges	50.0	61.0	-0.4	-1.5	3.2	2.6
Currency hedges	184.0	106.5	-9.9	-0.2	9.8	0.5
Product price hedges	48.7	34.5	0.3	4.4	2.2	1.5
Total	**282.7**	**202.0**	**-10.0**	**2.7**	**15.2**	**4.6**

These mark-to-market changes would have increased equity by € 7.7 million (€ 2.0 million) and the earnings before income taxes by € 7.5 million (€ 2.6 million).

Other explanatory notes

(32) 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		2009		2008	
€ million	IAS 39 measurement category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Shares and other investments		12.5	12.5	94.4	94.4
Other securities		12.1	12.1	21.0	21.0
Securities and other investments – available for sale	AfS	24.6	24.6	115.4	115.4
Securities and other investments – available for sale (at cost)	AfS at Cost	107.9	107.9	24.0	24.0
Shares		37.0	37.0	47.7	47.7
Fixed – interest securities		99.8	99.8	27.5	27.5
Other securities		1.0	1.0	77.2	77.2
Securities – at fair value through profit and loss	FAHfT	137.8	137.8	152.4	152.4
Loans (longterm)	LaR	1.0	1.0	0.7	0.7
Receivables relating to EU restructuring assistance, export recoveries, etc.	LaR	447.9	447.9	327.5	327.5
Trade receivables	LaR	667.5	667.5	727.1	727.1
Other assets	LaR	53.4	53.4	85.5	85.5
Positive market values – product-related derivates	n.a.	0.3	0.3	0.0	0.0
Cash	LaR	163.9	163.9	216.6	216.6
		1,604.3	**1,604.3**	**1,649.2**	**1,649.2**
Financial liabilities					
Bonds	FLAC	961.7	994.5	1,092.3	1,161.3
Liabilities to banks	FLAC	1,082.8	1,085.4	808.8	807.6
Liabilities from finance leasing	n.a.	0.5	0.5	0.5	0.5
Trade liabilities (incl. beet growers)	FLAC	767.5	767.5	839.1	839.1
Liabilities from EU restructuring levy	FLAC	363.4	363.4	548.6	548.6
Liabilities for product levy	FLAC	21.9	21.9	12.1	12.1
Other liabilities	FLAC	212.3	212.3	208.1	208.1
Negative market values – currency hedges	FLHfT	0.3	0.3	1.5	1.5
Negative market values – interest rate hedges	n.a.	0.1	0.1	0.0	0.0
Negative market values – currency hedges	FLHfT	1.1	1.1	0.0	0.0
Negative market values – currency derivatives with a hedging relationship	n.a.	8.8	8.8	0.2	0.2
		3,420.3	**3,455.8**	**3,511.1**	**3,578.9**

Total by IAS 39 measurement category

28/29 February	2009		2008	
€ million	Carrying amount	Fair value	Carrying amount	Fair value
Available for Sale (AfS)	24.6	24.6	115.4	115.4
Available for Sale at Cost (AfS at Cost)	107.9	107.9	24.0	24.0
Financial Assets Held for Trading (FAHfT)	137.8	137.8	152.4	152.4
Loans and Receivables (LaR)	1,333.6	1,333.6	1,357.4	1,357.4
Financial Liabilities Measured at Amortised Cost (FLAC)	3,409.3	3,444.7	3,508.9	3,576.7
Financial Liabilities Held for Trading (FLHfT)	0.3	0.3	1.5	1.5

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[DB1], 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. It is assumed that the carrying amount is equal to the fair value.

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 2008/09 that have negative market values are classified in part as held for trading and also relate to cash flow hedges; in the previous year the interest rate derivatives contracts with negative market values were held exclusively for trading. 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	**2008/09**	2007/08
Available for Sale (AfS)	10.7	14.6
Financial Assets Held for Trading (FAHfT)	7.0	5.0
Loans and Receivables (LaR)	13.6	14.4
Financial Liabilities Measured at Amortised Cost (FLAC)	-114.7	-112.4
Financial Liabilities Held for Trading (FLHfT)	-1.4	-1.5
	-84.8	**-79.9**

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. The net profit or loss from the measurement category financial liabilities measured at amortized cost (FLAC) exclusively includes interest expense. The measurement category loans and receivables (LaR) includes interest income totaling € 29.7 million (€ 29.2 million).

(33) 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 (24) 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 seasonal 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 three plan forecasts. The strategic financing plan is prepared on the basis of a five-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 it 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 of € 300 million (6.25 %, due June 8, 2010) and € 500 million (5.75 %, due February 27, 2012).

The convertible bond of € 250 million with a coupon of 3 % was due on December 8, 2008.

A promissory note with a nominal value of € 150.5 million was issued in April 2009; € 45.5 million of which is fixed-interest bearing (5.9 %) and € 105.0 million with a floating rate (six-month Euribor plus 320 basis points). The note is due on April 15, 2014.

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.

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. € 908 million (€ 889 million) has been drawn against the remaining credit lines with banks totaling € 1,421 million (€ 1,404 million). Both the credit lines and the amounts drawn against them also include bank guarantees.

The EU restructuring assistance granted to the Südzucker Group for a total amount of € 446 million will be paid to Südzucker in full by June of 2009 and will increase the liquidity of the Südzucker Group.

The following summary shows the due dates of liabilities as at February 28, 2009. All outgoing payment flows are undiscounted.

28 February 2009	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	961.7	1,090.3	192.9	348.1	544.5	0.1	0.1	4.6
Liabilities to banks	1,082.8	1,113.4	770.4	163.1	109.8	31.7	15.2	23.2
Liabilities from finance leasing	0.5	0.6	0.2	0.1	0.1	0.1	0.1	0.0
	2,045.0	**2,204.3**	963.5	511.3	654.4	31.9	15.4	27.8
Trade payables and other liabilities								
Liabilities to beet growers	368.3	368.3	368.3	0.0	0.0	0.0	0.0	0.0
Trade payables	399.2	399.2	399.2	0.0	0.0	0.0	0.0	0.0
Liabilities for restructuring levy	363.4	363.4	363.4	0.0	0.0	0.0	0.0	0.0
Liabilities for product levy	21.9	21.9	21.9	0.0	0.0	0.0	0.0	0.0
Other liabilities	212.3	212.3	198.1	14.2	0.0	0.0	0.0	0.0
Interest rate derivatives (cash out)	-.-	11.0	1.1	1.1	1.1	1.1	1.1	5.5
Interest rate derivatives (cash in)	-.-	-5.0	-0.5	-0.5	-0.5	-0.5	-0.5	-2.5
Currency derivatives (cash out)	-.-	148.0	148.0	0.0	0.0	0.0	0.0	0.0
Currency derivatives (cash in)	-.-	-148.0	-148.0	0.0	0.0	0.0	0.0	0.0
	1,365.1	**1,371.0**	1,351.5	14.8	0.6	0.6	0.6	3.0
	3,410.1	**3,575.3**	**2,315.0**	**526.1**	**655.0**	**32.5**	**16.0**	**30.8**

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	565.4	582.0	30.6	40.4
Trade payables and other liabilities								
Liabilities to beet growers	424.1	424.1	424.1	0.0	0.0	0.0	0.0	0.0
Trade payables	415.0	415.0	415.0	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 product levy	12.1	12.1	12.1	0.0	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 derivatives (cash out)	-.-	11.0	2.2	2.2	2.2	2.2	2.2	0.0
Interest rate derivatives (cash in)	-.-	-11.0	-2.2	-2.2	-2.2	-2.2	-2.2	0.0
Currency derivatives (cash out)	-.-	113.6	113.6	0.0	0.0	0.0	0.0	0.0
Currency derivatives (cash in)	-.-	-113.6	-113.6	0.0	0.0	0.0	0.0	0.0
	1,607.9	**1,607.9**	1,589.1	18.8	0.0	0.0	0.0	0.0
	3,509.5	**3,754.5**	**2,338.3**	**216.8**	**546.4**	**582.0**	**30.6**	**40.4**

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 is 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 subsidiary in Romania is exposed to currency risk from raw sugar purchases denominated in euros and USD. Sugar production in Hungary is exposed to currency risk arising from partial sales and purchases in euros.

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. Sales and purchases for starch production in Romania are based in part in euros.

The CropEnergies segment 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, the Eastern European companies are exposed to currency risk from sales and purchases denominated in euros.

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	**2009**	2008
Sensitivity			
U.S. dollar (USD)		-2.5	-3.4
British pound (GPB)		-2.2	-1.1
Romanian leu (RON)		-8.9	0.1
Hungarian forint (HUF)		8.6	2.7
Ukrainian hryvna (UAH)		2.7	1.7
Russian rouble (RUB)		2.3	0.7
Polish zloty (PLN)		0.3	4.4
		0.3	**5.1**

The currency risk associated with financial results is 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 EUR loan was extended in the 2007/08 financial year 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.

Group financing in the 2008/09 financial year generated currency translation losses of € -38.7 million (€ -6.6 million), which are made up as follows:

Foreign currency exchange gain/loss (financing)

€ million	28/29 February	**2009**	2008
Sensitivity			
Polish zloty (PLN)		-14.0	8.4
Romanian leu (RON)		-7.8	-1.3
Hungarian forint (HUF)		-4.8	-3.3
Ukrainian hryvna (UAH)		-4.8	-4.0
Russian rouble		-2.7	-0.8
Remaining currencies		-4.6	-5.6
		-38.7	**-6.6**

If the exchange rates of the following countries to the euro had dropped by 10 % as of February 28, 2009, financial results would have been lower by the following amounts:

Currency risks in financing activities

€ million	28/29 February	**2009**	2008
Sensitivity			
Polish zloty (PLN)		-11.2	-7.3
Romanian leu (RON)		-5.3	-3.8
Hungarian forint (HUF)		-5.0	-5.7
Ukrainian hryvna (UAH)		-0.3	-2.8
Russian rouble		-1.5	-1.5
		-23.3	**-21.1**

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/shareholders' 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 € -0.2 million (€ -0.8 million) and a decrease in shareholders' equity of € 0.0 million (€ -9.8 million).

Interest rate risk

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

Interest rate 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 measured at amortized cost, are not subject to interest rate risk.

An increase in market interest rates by 1.0 % as at February 28, 2009 would have resulted in a € 7.8 million (€ 5.0 million) increase in interest expense. The effect on net profit/loss is limited to € 738.0 million (€ 460.0 million) of financial debt with variable interest rates, or 36.0 % (26.2 %) of total financial liabilities of € 2,045.1 million (€ 1,901.6 million).

(34) 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	**2009**	2008
Guarantees	44.5	5.3
Warranty commitments	1.7	1.9
Purchase order commitments for fixed assets	37.0	174.5

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 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	**2009**	2008
Due date: 1 year	25.6	24.0
Due date: 1-5 years	14.4	13.1
Due date: over 5 years	10.7	8.0
	50.7	**45.1**

(35) Segment report

1. Business segments

€ million	2008/09				
	Group	Sugar	Special products	Crop Energies	Fruit
Gross revenues	**6,152.4**	**3,503.6**	**1,515.9**	**328.4**	**804.5**
Consolidation	-281.1	-183.5	-88.5	-9.1	0.0
Revenues	**5,871.3**	**3,320.1**	**1,427.4**	**319.3**	**804.5**
EBITDA	**488.6**	**255.4**	**172.1**	**28.6**	**32.5**
Depreciation of fixed assets and intangible assets	-230.9	-118.3	-64.2	-10.4	-38.0
Operating profit	**257.7**	**137.1**	**107.9**	**18.2**	**-5.5**
Restructuring costs and special items	87.6	102.3	-3.7	-11.0	0.0
Income (loss) from operations after special items	**345.3**	**239.4**	**104.2**	**7.2**	**-5.5**
Segment assets	**7,056.2**	4,205.4	1,513.8	551.1	786.0
Segment liabilities	**2,235.7**	1,830.7	224.9	59.0	121.1
Capital employed	**4,923.0**	2,736.1	1,286.6	221.3	678.9
EBITDA margin	**8.3 %**	7.7 %	12.1 %	9.0 %	4.0 %
Operating margin	**4.4 %**	4.1 %	7.6 %	5.7 %	-.-
Return on capital employed	**5.2 %**	5.0 %	8.4 %	8.2 %	-.-
Investments in fixed assets and intangible assets excluding goodwill	**384.3**	123.5	60.1	170.1	30.6
Acquisition of, and investments in, non-current financial assets	**40.1**	26.2	1.7	0.6	11.6
Total investments	**424.4**	149.7	61.8	170.7	42.2
Employees	**17,939**	8,598	4,142	272	4,927

€ million	2007/08				
	Group	Sugar	Special products	Crop Energies	Fruit
Gross revenues	**6,043.4**	**3,683.7**	**1,320.4**	**186.8**	**852.5**
Consolidation	–263.8	–219.6	–37.0	-7.2	0.0
Revenues	**5,779.6**	**3,464.1**	**1,283.4**	**179.6**	**852.5**
EBITDA	**488.7**	**212.8**	**164.4**	**30.9**	**80.6**
Depreciation of fixed assets and intangible assets	–255.6	–152.3	–57.3	–8.9	–37.1
Operating profit	**233.1**	**60.5**	**107.1**	**22.0**	**43.5**
Restructuring costs and special items	–43.8	–20.3	–13.9	–5.0	–4.6
Income from operations after special items	**189.3**	**40.2**	**93.2**	**17.0**	**38.9**
Segment assets	**7,267.7**	4,539.9	1,595.3	346.2	786.3
Segment liabilities	**2,532.5**	2,112.1	244.1	42.4	133.9
Capital employed	**5,004.6**	2,785.3	1,217.2	221.0	781.1
EBITDA margin	**8.5 %**	6.1 %	12.8 %	17.2 %	9.5 %
Operating margin	**4.0 %**	1.7 %	8.3 %	12.2 %	5.1 %
Return on capital employed	**4.7 %**	2.2 %	8.8 %	10.0 %	5.6 %
Investments in fixed assets and intangible assets excluding goodwill	**496.8**	141.6	165.7	146.6	42.9
Acquisition of, and investments in, non-current financial assets	**53.0**	53.0	0.0	0.0	0.0
Total investments	**549.8**	194.6	165.7	146.6	42.9
Employees	**18,642**	10,043	3,773	130	4,696

Reconciliation of segment assets and liabilities

€ million	28.02.2009	29.02.2008
Total assets	**7,708.6**	**7,917.4**
./. Shares in associated companies	–76.0	–64.1
./. Other investments and loans	–22.7	–115.1
./. Securities (non-current)	–105.1	–19.5
./. Securities (current)	–143.5	–157.8
./. Cash and cash equivalents	–163.9	–216.6
./. Deferred tax assets	–108.3	–60.1
./. Current income tax receivables	–32.8	–16.5
Segment assets	**7,056.2**	**7,267.7**
Total liabilities	**7,708.6**	**7,917.4**
./. Shareholders' equity	–3,229.4	–3,299.5
./. Financial liabilities	–2,045.0	–1,901.5
./. Deferred tax liabilities	–165.0	–165.2
./. Current income tax liabilities	–33.4	–18.7
Segment liabilities	**2,235.7**	**2,532.5**

2. Geographic segments

€ million	2008/09	2007/08
Third-party revenues		
Germany	1,887.1	1,791.0
Other EU	3,555.8	3,546.9
Other countries	428.4	441.7
	5,871.3	**5,779.6**
Segment assets		
Germany	2,085.3	2,109.2
Other EU	4,440.1	4,639.0
Other countries	530.8	519.5
	7,056.2	**7,267.7**
Investments in fixed assets and intangible assets (excluding goodwill or additional quota)		
Germany	68.8	103.8
Other EU	292.2	352.8
Other countries	23.3	40.2
	384.3	**496.8**

As outlined in IFRS 8 (Operating Segments), the reporting segments of the Südzucker Group are aligned with the internal reporting structure. Other disclosures, particularly those related to the operating activities and the profit developments of the segments, are included in the management report.

Starting in the fourth quarter of the 2008/09 financial year, reporting was expanded to include the CropEnergies segment. This shows our acknowledgment of the growing importance of the CropEnergies Group's bioethanol activities. The Südzucker Group now reports for the four segments sugar, special products, CropEnergies and fruit. The sugar segment includes the core sugar business in Europe. The special products segment includes the BENEO, Freiberger, PortionPack and starch divisions. The CropEnergies segment represents the CropEnergies Group as a leading European producer of sustainably produced bioethanol for the fuel sector. The fruit segment covers the fruit juice concentrates and fruit preparations divisions.

In the 2008/09 financial year, through the periodic consolidation of the COFA/Ryssen Group previously reported under the special products segment, the CropEnergies segment includes for the first time pro-rated revenues of € 59.0 million and an operating profit of € 1.7 million with 48 employees. The influence on all other segment-related factors is insignificant.

Segment results are measured by their operating profit, i.e. profits before restructuring costs and special items as well as interest and investment income/expense and tax. Operating margin is calculated as the percentage of operating profit to revenues. As in the previous year, transactions between segments - with sales of € -281.1 million (€ -263.8 million) - were 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 plant in Wanze that began production at the beginning of 2009 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.

(36) Fees for services by the Group external auditors

Fees in 2008/09 for services provided by the Group's external auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, were made up of fees of € 0.8 million (€ 0.9 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 totaled € 0.1 million (€ 0.1 million). Fees for tax advisory services amounted to € 0.1 million (€ 0.0 million).

(37) Declaration of compliance per § 161 AktG

The executive board and supervisory board of Südzucker AG submitted the declaration of compliance relating to the German Corporate Governance Code per § 161 AktG on November 28, 2008, and made it permanently available to shareholders on the Internet at http://www.suedzucker.de/en/Investor-Relations/Corporate-Governance/.

The executive board and supervisory board of CropEnergies AG submitted the declaration of compliance relating to the German Corporate Governance Code per § 161 AktG on November 14, 2008, and made it permanently available to shareholders on the CropEnergies homepage at http://www.cropenergies.com/en/investorrelations/Corporate_Governance/.

(38) 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 2008/09 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 € 2.0 million (€ 1.9 million) and to SUW of € 6.6 million (€ 6.7 million) at February 28, 2009.

Südzucker AG and its consolidated subsidiaries have relations with joint ventures and associates in connection with regular operating activities. Transactions are carried out with these companies the same as with unrelated parties. The volume of transactions of the Südzucker Group with significant related parties is made up as follows:

€ million	**2008/09**	2007/08
Joint ventures	5.6	7.4
Associated companies	254.0	209.1
Services performed for related parties	**259.6**	**216.5**
Joint ventures	36.5	42.5
Associated companies	0.1	0.0
Services received from related parties	**36.6**	**42.5**

The receivables from and payables to related parties at the balance sheet date are:

€ million	**2009**	2008
Joint ventures	21.9	13.5
Associated companies	46.8	62.8
Receivables from related parties	**68.7**	**76.3**
Joint ventures	25.2	18.2
Associated companies	14.3	0.0
Liabilities to related parties	**39.5**	**18.2**

The total compensation granted to members of the executive board by Südzucker AG for 2008/09 amounted to € 2.7 million (€ 2.8 million). The variable component made up 33 % (36 %) 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 totaled € 1.4 million (€ 1.6 million). Provisions for pensions of € 19.9 million (€ 15.5 million) relate to former members of Südzucker AG's executive board and their dependent relatives. Provisions for pensions for current executive board members amounted to € 15.7 million (€ 14.6 million). Additions in 2008/09 amounted to € 1.1 million (€ 0.3 million). Payments to former members of Südzucker AG's executive board and their dependent relatives amounted to € 2.2 million (€ 1.8 million) in 2008/09.

Total remuneration paid to Südzucker AG's supervisory board for all activities was € 1.2 million (€ 1.2 million) in 2008/09.

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.

(39) 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 Raiffeisen-Holding Niederösterreich-Wien

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

Dr. Ralf Bethke
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 (Chairman)
K+S KALI GmbH, Kassel (Chairman)
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

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

Wolfgang Endling[3]
To January 31, 2009
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.

Manfred Fischer[3]
Feldheim
Chairman of the central 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[3]
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
BATIG Gesellschaft für Beteiligungen mbH, Hamburg
Brau Holding International AG, Munich (Deputy chairman)
British American Tobacco (Germany) GmbH, Hamburg
British American Tobacco (Industry) GmbH, Hamburg

[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.

Leo Heller[3]
To August 31, 2008
Bieberehren
Chairman of the works council of the Ochsenfurt plant of Südzucker AG Mannheim/Ochsenfurt

Reinold Hofbauer[3]
Since September 1, 2008
Deggendorf
Chairman of the works council of the Plattling plant of Südzucker AG Mannheim/Ochsenfurt

Wolfgang Kirsch
Königstein
Chairman of the executive board of DZ BANK AG

Board memberships
Banco Cooperativo Español S.A., Madrid, Spain (Deputy chairman)
Landwirtschaftliche Rentenbank, Frankfurt am Main
Liquiditäts-Konsortialbank GmbH, Frankfurt am Main
Österreichische Volksbanken-AG, Vienna, Austria
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

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

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

Bernd Maiweg[3]
Since February 13, 2009
Gütersloh
Divisional officer of the Food and Catering Union

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

Joachim Rukwied
Eberstadt
Chairman of the State Farmers' Association in Baden-Württemberg e. V.

Board memberships
AGRA-EUROPE Presse- und Informationsdienst GmbH, Bonn
Cost Center of the State Farmers' Association in 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]
Worms
Chairman of the works council of the Offstein plant 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 of the Brottewitz plant of Südzucker AG Mannheim/Ochsenfurt

[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.

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),
Manfred Fischer,
Dr. Christian Konrad,
Franz-Josef Möllenberg

Executive board

Dr. Theo Spettmann (Spokesman)
Ludwigshafen

Board memberships[1]
Mannheimer AG Holding, Mannheim
University of Mannheim (University Council), Mannheim

Dr. Wolfgang Heer
Ludwigshafen

Dr. Thomas Kirchberg
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

(40) 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		95.76	
Sugar Moldova					
Südzucker Moldova S.A.	Drochia	Moldova	83.64		
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.	Sered	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.	Brčko	Bosnia-Herzegovina		50.00	[3]
Sugar others					
AGRANA Beteiligungs-AG	Vienna	Austria	0.55	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]
NCG + S.A.	Montelimar	France		100.00	
Südzucker Verwaltungs 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		
Suikers G. Lebbe N. V.	Oostkamp	Belgium		99.87	

[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 (%)	
SPECIAL PRODUCTS SEGMENT					
Freiberger					
Freiberger Holding GmbH	Berlin		10.00	90.00	1)
Freiberger Lebensmittel	Berlin			100.00	1)
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	Berlin			100.00	2)
Great Star Food Production GmbH & Co. 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		100.00	
BENEO-Palatinit GmbH	Mannheim		15.00	85.00	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	
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	
PORTIONPACK IBERICA, S.L.	Barcelona	Spanien		100.00	
Hellma Gastronomie-Service GmbH	Nuremberg			100.00	
CROPENERGIES SEGMENT					
CropEnergies AG	Mannheim		70.83		
CropEnergies Beteiligungs GmbH	Mannheim			100.00	1)
CropEnergies Bioethanol GmbH	Zeitz			100.00	1)
Biowanze SA	Bruxelles	Belgium		100.00	
RYSSEN ALCOOLS SAS	Paris	France		100.00	
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.	São Paulo	Brazil		95.88	
AGRANA Fruit Dachang Co., Ltd.	Dachang	China		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 (%)
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.	Seoul	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.	Paris	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 TOV	Winnitsa	Ukraine		100.00
AGRANA Fruit US, Inc.	Brecksville Ohio	USA		100.00
Dirafrost FFI N.V.	Herk-de-Stad	Belgium		100.00
Dirafrost Maroc 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 Holding 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)]
Yongji Andre Juice Co., Ltd.	Yongji 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.

(41) Events after the balance sheet date

Events after the balance sheet date are discussed in the management report.

(42) Proposed appropriation of earnings

Retained earnings of Südzucker AG Mannheim/Ochsenfurt amount to € 75,748,203,02. It will be proposed to the annual general meeting on July 21, 2009 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	6,759.82 €
Unappropriated earnings	**75,748,203.02 €**

The dividend will be paid on July 22, 2009.

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 14, 2009
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. The financial statements and the management report 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, 2008 to February 28, 2009. 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 15, 2009
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ernst-Wilhelm Frings	Georg Wegener
Auditor	Auditor

GLOSSARY

A

ACP countries | African, Caribbean and Pacific countries.

B

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.

BENEO-Group | Company comprised of Südzucker group's functional food business units.

BENEO-ORAFTI | BENEO Group company ➞ Producer and international seller of chicory-based food ingredients with nutrition-specific, technologically functional added value. The product portfolio includes ➞ inulin and ➞ oligofructose.

BENEO-Palatinit | BENEO Group company ➞ Producer and international seller of functional carbohydrates for the food, beverage and pharmaceutical industries. The product portfolio includes ➞ Isomalt, ➞ Palatinose™ and ➞ galenIQ™.

BENEO-Remy | BENEO Group company ➞ Producer and international seller of rice derivatives. The product portfolio includes rice flours, rice starches and rice proteins.

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.

Bioethanol | Alcohol produced from renewable raw materials. Raw materials include, at least theoretically, sugar, starch and cellulose- based biological substances. Südzucker uses grain and sugar-based syrup as raw materials.

C

CEEC | Central and Eastern European Countries.

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.

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).

D

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. are many forms of derivatives, including forwards, options or futures. Südzucker uses derivatives for financial risk management.

E

Non-EU countries | Used in this report to describe countries which are not EU member states.

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.

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.

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.

ETBE | Environmentally-friendly octane improver made from bioethanol.

EU 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.

EU Restructuring assistance | Entities which return quotas to the restructuring fund on a voluntary basis and as a company-specific decision receive a restructuring assistance.

EU 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.

F

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.

FTSE | FTSE is a British provider of investment decision support tools and is a joint venture between the Financial Times of London and the London Stock Exchange. FTSE develops, calculates and publishes international stock indices, which are used by many fund managers as a means to compare the performance of their investment portfolios against certain benchmarks. Südzucker is listed on the FTSE Euromid Index

Functional food | Food or food ingredients with health applications.

G

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).

H

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.

I

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.

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.

Pre-biotic ballast substance from chicory root with proven healthy properties. Also used in many food additives as a substitute for fat because of its technological attributes (particularly ones related to texture).

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 by bakeries.

P

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.

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.

L

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.

M

MSCI | Morgan Stanley Capital International. American provider of investment decision support tools. The company develops, calculates and publishes international stock indices under the name MSCI Barra. The MSCI family of indices is used by many fund managers as a means to the compare the performance of their investment portfolios to certain benchmarks. Südzucker is listed on the MSCI Germany and MSCI Europe indices, which by definition each reflect 85 % of the free float market capitalization in Germany and Europe.

N

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-quota sugar | Industrial sugar and excess sugar.

O

Oligofructose | Prebiotic 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

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.

Q

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.

R

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.

Reference price | Forecast of intended sugar price.

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.

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.

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.

T

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.

V

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.

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.

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.

W

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 October 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.

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.

Raw sugar value | Based on unrefined raw sugar.

White sugar value | Based on refined sugar, and is 10 % lower than the raw sugar value.

Sugar marketing year | As of 2007/08, the sugar marketing year begins on October 1 and ends on September 30.

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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Südzucker Group on the Internet

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