Annual Report Südzucker AG 2010/11

SÜDZUCKER

- Overview 2010/11
- Outlook for 2011/12
- Financial calendar

Financial calendar

Q1 – 1st quarter report 2011/12	July 14, 2011
Annual general meeting for fiscal 2010/11	July 21, 2011
Q2 – 2nd quarter report 2011/12	October 13, 2011
Q3 – 3rd quarter report 2011/12	January 12, 2012
Press and analysts' conference fiscal 2011/12	May 15, 2012
Q1 – 1st quarter report 2012/13	July 12, 2012
Annual general meeting for fiscal 2011/12	July 19, 2012

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 in PDF format from Südzucker's Web site at www.suedzucker.de.

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

Numbers and percentages stated are subject to differences due to rounding.

Overview 2010/11

- Consolidated group revenues up 8 % to € 6,161 (5,718) million.
- Consolidated group operating profit rises sharply, up 29 % to € 519 (403) million, driven by higher earnings in all segments.
- Sugar segment posts higher revenues and profit, mainly due to higher non-quota sugar exports in the first quarter:
  - Revenues: +4 % to € 3,279 (3,154) million
  - Operating profit: € 282 (217) million
- Special products segment operating profit up again, driven mainly by higher volume in all divisions:
  - Revenues: +13 % to € 1,575 (1,396) million
  - Operating profit: € 144 (138) million
- CropEnergies segment reports substantially higher revenues and operating profit due to greater production volumes at its Belgian facility in Wanze:
  - Revenues: +21 % to € 437 (362) million
  - Operating profit: € 46 (12) million
- Fruit segment reports strong operating profit growth due to higher volume and sales revenues:
  - Revenues: +8 % to € 870 (806) million
  - Operating profit: € 47 (36) million
- Cash flow rises to € 606 (553) million.
- Investments at € 251 (233) million.
- Net financial debt cut further to € 853 (1,065) million.

Outlook for 2011/12

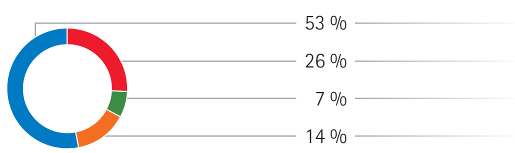
- Consolidated group revenues expected to come in at about € 6.3 (2010/11: 6.2) billion.
- Operating profit expected to be over € 550 (2010/11: 519) million.
- Investments in fixed assets to be higher than the year prior.

Key figures

		2010/11	2009/10	2008/09	2007/08	2006/07
Revenues and earnings						
Revenues	€ million	6,161	5,718	5,871	5,780	5,765
EBITDA	€ million	772	645	489	489	682
as % of revenues	%	12.5	11.3	8.3	8.5	11.8
Operating profit	€ million	519	403	258	233	419
as % of revenues	%	8.4	7.0	4.4	4.0	7.3
Net earnings (loss) for the year	€ million	345	276	183	100	-246
Cash flow and investments						
Cash flow	€ million	606	553	504	498	554
Investments in fixed assets[1]	€ million	245	216	384	497	537
Investments in financial assets	€ million	6	17	40	53	62
Total investments	€ million	251	233	424	550	599
Performance						
Fixed assets[1]	€ million	2,612	2,609	2,626	2,596	2,574
Goodwill	€ million	1,131	1,132	1,124	1,104	1,109
Working capital	€ million	1,451	1,512	1,323	1,431	965
Capital employed	€ million	5,314	5,374	4,923	5,005	4,767
ROCE	%	9.8	7.5	5.2	4.7	8.8
Capital structure						
Total assets	€ million	7,260	7,398	7,709	7,917	7,932
Shareholders' equity	€ million	3,743	3,500	3,230	3,299	3,362
Net financial debt	€ million	853	1,065	1,632	1,508	811
Net financial debt to cash flow ratio		1.4	1.9	3.2	3.0	1.5
Equity ratio	%	51.6	47.3	41.9	41.7	42.4
Net financial debt as % of equity (Gearing)	%	22.8	30.4	50.5	45.7	24.1
Shares						
Market capitalization	€ million	3,768	3,230	2,587	2,746	3,024
Total shares issued as of February 28/29	million	189.4	189.4	189.4	189.4	189.4
Closing price on February 28/29	€	19.90	17.06	13.66	14.50	15.97
Earnings per share	€	1.32	1.06	0.86	0.10	-1.72
Dividend	€	0,55[2]	0.45	0.40	0.40	0.55
Yield as of February 28/29	%	2.8	2.6	2.9	2.8	3.4
Employees		17,658	17,493	17,939	18,642	19,575

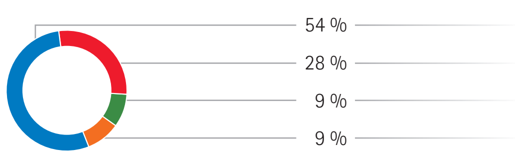
[1] Including intangible assets/additional quotas. [2] Proposed.

Revenues by segment



€ million	2010/11	2009/10	+/- in %
Sugar segment	3,279	3,154	4.0
Special products segment	1,575	1,396	12.8
CropEnergies segment	437	362	20.9
Fruit segment	870	806	7.9
Group	**6,161**	**5,718**	**7.7**

Operating profit by segment



€ million	2010/11	2009/10	+/- in %
Sugar segment	282	217	29.8
Special products segment	144	138	4.6
CropEnergies segment	46	12	> 100
Fruit segment	47	36	31.3
Group	**519**	**403**	**28.9**

Südzucker Aktiengesellschaft
Mannheim/Ochsenfurt

Group annual report for
2010/11 financial year
March 1, 2010
to February 28, 2011

The art of corporate success

Successful business strategy. It's an art in itself. Skill and creativity are needed for our products too. It's little wonder, therefore, that our artists find themselves inspired by these. We invite you to discover for yourselves the resultant minor and major masterpieces by taking a tour through the Südzucker Gallery – and at the same time looking over our figures and facts for financial year 2010/11.

Corporate strategy and guiding principles

Our goal as a European corporation is to work in concert with our partners on responsibly shaping the future, based on a vision of continued sustainable, profitable growth and steadily rising shareholder value. We focus on large-scale agricultural commodity processing and refining as well as business-to-business marketing. Our divisions set benchmarks in their target markets, always taking into account the interests of shareholders, customers, suppliers, employees and future generations.

Südzucker is Europe's leading supplier of sugar products today. The company's special products (Functional Food Ingredients, starch, chilled/frozen products and portion packs), CropEnergies (bioethanol) and fruit (fruit preparations/fruit concentrates) segments have strong market positions in their target sectors.

This success is based on our core competencies, above all our broad-based expertise in processing a wide variety of agricultural commodities. We have a long-standing tradition of conducting business sustainably – from the farming methods we apply to all commodities to our processes along the entire value added chain. Our in-house research expertise and collaboration with other specialists strengthen our innovation capacity, and our solid marketing and logistics experience make us a reliable partner.

We see the combined disciplinary expertise, experience, social skills and commitment of our employees as one of the company's most important market success factors. Personnel development and continuing education thus take center stage at Südzucker.

We want to take full advantage of growth opportunities. A key factor here is ensuring that our investment grade rating enables us to access the international capital markets. We stand for transparency and an open dialogue with capital market stakeholders.

We continuously align our strategic programs with the prevailing general conditions. We always regard profound structural changes as an opportunity to further develop the company. We view global market trends, such as the steadily escalating demand for agricultural commodities and food driven by continuous global population growth and shifting dietary customs in the emerging nations, as an opportunity to penetrate new business segments along the value added chain and complement our traditional sugar trade. This we can achieve through organic growth and alliances, as well as acquisitions.

We create value that generates sustainable, rewarding corporate growth.

Contents

Südzucker Group segments

Sugar segment

Sugar segment	2010/11
Revenues	€ 3,279 million
EBITDA	€ 396 million
Depreciation on fixed assets and intangible assets	€ -114 million
Operating profit	€ 282 million
Restructuring/special items	€ -3 million
Income from operations	€ 279 million
EBITDA margin	12.1 %
Operating margin	8.6 %
ROCE	10.3 %
Investments in fixed assets	€ 126 million
Investments in financial assets	€ 5 million
Total investments	€ 131 million
Employees	7,978

Group
- European market leader
- 29 sugar factories, 3 refineries
- 26 million t beets processed
- 4.2 million t sugar produced (incl. raw sugar refining)

Germany
- 9 sugar factories, 1,484,000 t sugar produced

Belgium
- 2 sugar factories, 493,000 t sugar produced

Bosnia
- 1 refinery, 58,000 t sugar produced

France
- 4 sugar factories, 1 refinery
  922,000 t sugar produced

Moldova
- 2 sugar factories, 74,000 t sugar produced

Austria
- 2 sugar factories, 457,000 t sugar produced

Poland
- 5 sugar factories, 374,000 t sugar produced

Romania
- 1 sugar factory, 1 refinery
  77,000 t sugar produced

Slovakia
- 1 sugar factory, 61,000 t sugar produced

Czech Republic
- 2 sugar factories, 135,000 t sugar produced

Hungary
- 1 sugar factory, 111,000 t sugar produced

Special products segment

Special products segment	2010/11
Revenues	€ 1,575 million
EBITDA	€ 218 million
Depreciation on fixed assets and intangible assets	€ -74 million
Operating profit	€ 144 million
Restructuring/special items	€ -6 million
Income from operations	€ 138 million
EBITDA margin	13.8 %
Operating margin	9.1 %
ROCE	10.8 %
Investments in fixed assets	€ 67 million
Investments in financial assets	€ 1 million
Total investments	€ 68 million
Employees	4,259

BENEO
- Functional food ingredients: inulin, oligofructose, isomalt, Palatinose™ and rice derivatives
- Ingredients for the non-food and pharmaceutical sectors
- Ingredients for animal feed
- 5 production locations around the world (Belgium, Chile, Germany, Italy)

Freiberger
- Frozen and chilled pizza as well as frozen pasta dishes and snacks
- 5 production locations in Europe (Germany, Great Britain, Austria)

PortionPack Europe
- Portion packs
- 8 company locations (Belgium, Germany, Great Britain, Netherlands, Austria, Poland, Spain, Czech Republic)

Starch
- Starch for food and non-food sectors as well as bioethanol
- 3 production locations in Austria, 1 each in Hungary and Romania
- Production capacity per year: up to 240,000 m^3 bioethanol in Austria, up to 187,000 m^3 bioethanol in Hungary (Hungrana)

CropEnergies segment	2010/11
Revenues	€ 437 million
EBITDA	€ 76 million
Depreciation on fixed assets and intangible assets	€ -30 million
Operating profit	€ 46 million
Restructuring/special items	€ 1 million
Income from operations	€ 47 million
EBITDA margin	17.4 %
Operating margin	10.5 %
ROCE	8.7 %
Investments in fixed assets	€ 21 million
Investments in financial assets	-
Total investments	€ 21 million
Employees	303

CropEnergies AG

- One of the leading European manufacturers of sustainably produced bioethanol, predominantly for the fuel sector
- Annual production capacity of over 700,000 m³ for bioethanol and over 500,000 t for food and animal feed
- 1 production location in Germany (Zeitz) with an annual capacity of up to 360,000 m³ bioetanol
- 1 production location in Belgium (Wanze) with an annual bioethanol production capacity of up to 300,000 m³
- 1 production location in France (Loon-Plage) with an annual capacity up to 180,000 m³ bioethanol, of which 100,000 m³ for fuel applications and 80,000 m³ for traditional applications
- Joint venture with Tyczka Energie GmbH to operate a production system for food-grade CO_2

Fruit segment	2010/11
Revenues	€ 870 million
EBITDA	€ 82 million
Depreciation on fixed assets and intangible assets	€ -35 million
Operating profit	€ 47 million
Restructuring/special items	-
Income from operations	€ 47 million
EBITDA margin	9.4 %
Operating margin	5.4 %
ROCE	6.7 %
Investments in fixed assets	€ 31 million
Investments in financial assets	-
Total investments	€ 31 million
Employees	5.118

Fruit preparations

- 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, Ukraine; Argentina, Australia, Brazil, China, Fiji, Morocco, Mexico, South Africa, South Korea, United States)

Fruit juice concentrates

- Apple juice and berry juice concentrates
- One of the leading producers of fruit-juice concentrates in Europe
- 12 production locations (China, Denmark, Austria, Poland, Romania, Hungary, Ukraine)

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.

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

Reinhold Hofbauer**
Deggendorf
Chairman of the works council of the
Plattling factory of
Südzucker AG Mannheim/Ochsenfurt

Wolfgang Kirsch
Königstein
Chairman of the executive board
DZ BANK AG

Georg Koch
Wabern
Chairman of the Association of
Zuckerrübenanbauer
Kassel e. V.

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**
Gütersloh
Divisional officer of the
Food and Catering Union

Dr. Arnd Reinefeld**
To February 28, 2011
Offstein
Manager of the Offenau and Offstein
factories of
Südzucker AG Mannheim/Ochsenfurt

Joachim Rukwied
Eberstadt
Chairman of the
Association of Landesbauern in
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

Wolfgang Vogl**
Bernried
Since March 1, 2011
Manager of the
Plattling and Rain factories of
Südzucker AG Mannheim/Ochsenfurt

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 137 of the annual report.

** Employee representative.

Executive board

Dr. Wolfgang Heer
(Spokesman)
Ludwigshafen
Sugar sales
Strategic corporate planning/
group development/investments
Public relations
Organization/IT
Food law/consumer policy/quality
control
Human resources and social welfare
Marketing
Audit

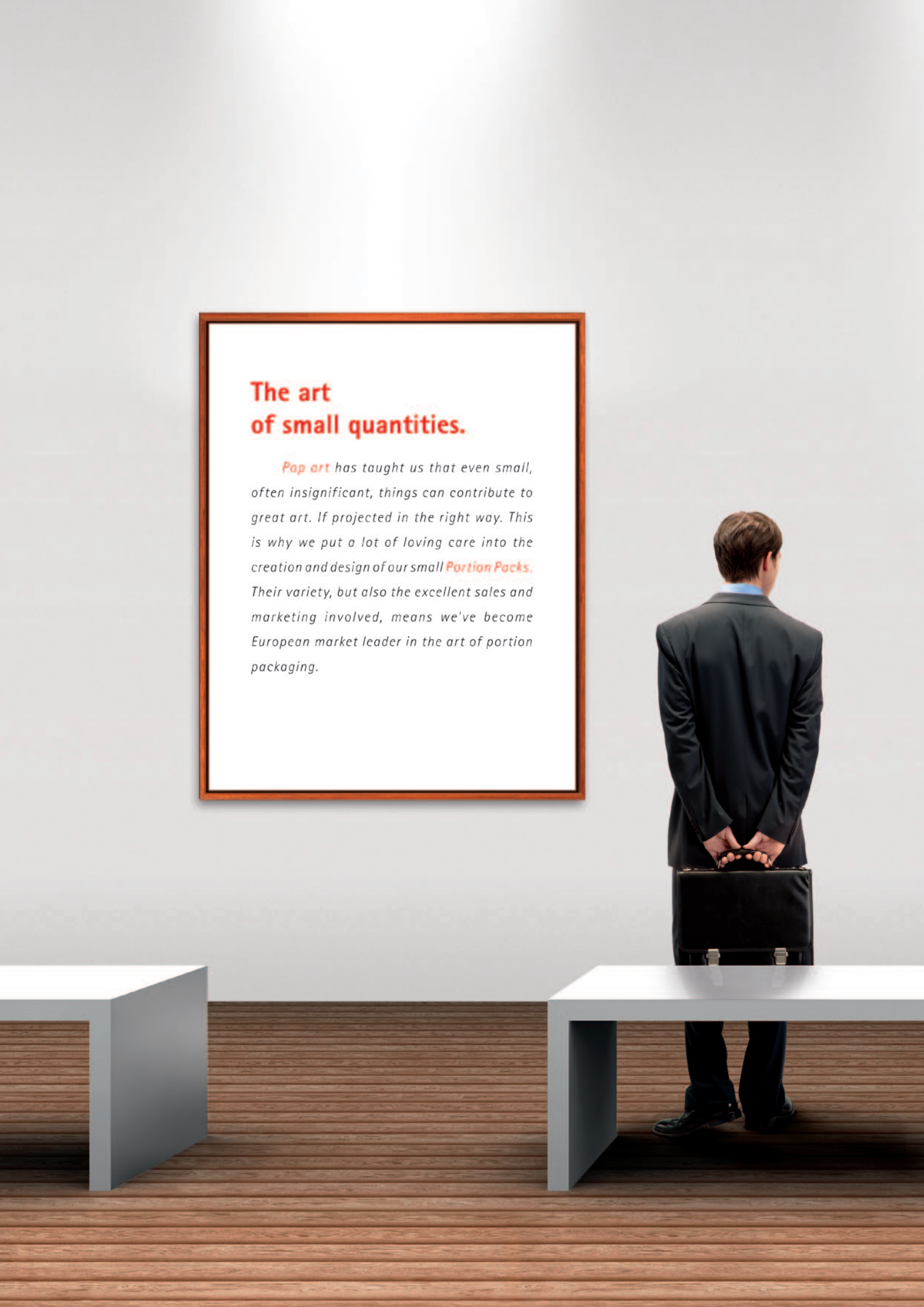
Dr. Thomas Kirchberg
Ochsenfurt
Agricultural policies
Beets
Animal feed/by-products
Farms/commodity markets
Agricultural research and development

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/mainte-
nance 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): Johann Marihart, Thomas Kölbl, Dr. Wolfgang Heer, Prof. Dr. Markwart Kunz, Dr. Thomas Kirchberg.


The art
of small quantities.
Pop art has taught us that even small, often insignificant, things can contribute to great art. If projected in the right way. This is why we put a lot of loving care into the creation and design of our small Portion Packs. Their variety, but also the excellent sales and marketing involved, means we've become European market leader in the art of portion packaging.


sugar
Zucker
sucre

Report of the supervisory board

Dear shareholders,

Südzucker Group benefited from the stronger than expected global economic recovery during the financial year just ended, and was able to report sharply higher earnings in all four segments. After the enormous burdens of the past few years, the company can now look back on a very successful first financial year after the restructuring phase of the EU sugar market; its market position is strong and stable. The expanding global economy was accompanied by rising demand for commodities, including agricultural raw materials. Occasionally unfavorable weather conditions, along with renewed speculation, also caused agricultural commodity prices to rise, in some cases dramatically.

Further developing Südzucker Group strategically in a fast changing environment was and continues to be a key focus of the supervisory board's consultations.

We continued to work with the executive board on the basis of mutual trust and with a focus on achieving our goals during the 2010/11 financial year. We concentrated on the tasks for which we are responsible as per the law, the company's articles of association and rules of procedure, to monitor and advise the executive board in the latter's management of the company.

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

The executive board reported verbally and in writing between meetings of the supervisory board regarding all material business issues. 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 numerous working meetings about all important business activities.

Supervisory board meetings and decisions | The supervisory board met with the executive board in four ordinary meetings in financial 2010/11.

The supervisory board approved all of the executive board's decisions after a thorough review and discussions. At two meetings one member was absent (excused) each time; otherwise all members of the supervisory board attended the meetings in person.

The meeting regarding the balance sheet on May 26, 2010 dealt with the audit and endorsement of Südzucker AG's financial statements and the consolidated financial statements dated February 28, 2010. Following the auditor's report on the material items and results of the audit, which also related to the internal controlling system, and in-depth discussions, the supervisory board approved the annual financial statements and the consolidated financial statements. This meeting also dealt with the proposed resolutions for the 2010 annual general meeting, including the buyback of company shares and approval of the executive compensation system. Corporate actions were also authorized at this meeting. The supervisory board also dealt with and reached decisions regarding property issues, planned share acquisitions and planned investments. The supervisory board elected Mr. Reinhold Hofbauer to succeed Mr. Roland Werner as a member of the agricultural committee.

The five-year plan was discussed at the supervisory board meeting on July 19, 2010. The investment budget for 2011/12 and the long-range investment plan were adopted at the same meeting. Another item on the agenda was the approval of a plan to take a stake in another company. In addition, the board decided to revise the executive board contracts to comply with the Act on the Appropriateness of Management Board Compensation (VorstAG) as of March 1, 2011.

The earnings projections for 2010/11 were presented to the supervisory board at its November 25, 2010 meeting. Corporate governance issues were discussed as always during the November meeting - especially the topic of diversity and how it applies to Südzucker. The supervisory board also conducted the annual test of the effectiveness of its activities. It approved the diversity goals for its future composition and the declaration of compliance for 2010. An additional key item was an in-depth discussion regarding the strategic position of Freiberger Group. The supervisory board also dealt with and approved plans to buy shares of other companies.

The projections for the group's consolidated statements for 2010/11 were presented at the January 26, 2011 supervisory board meeting. The supervisory board debated the various investment plans and approved the additional investments for the 2011/12 financial year. The supervisory board also adjusted the executive board's compensation, effective January 1, 2011. Planned acquisition plans and corporate actions were also dealt with and approved.

Supervisory board committees | The supervisory board set up five committees to enable its efficient fulfillment of duties (executive committee, mediation committee, audit committee, agricultural committee and economic and social committee), each of which is made up of an equal number of shareholders' and employees' representatives. Page 139 of the annual report lists the names of the individuals on the various committees.

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

The supervisory board executive committee met twice in 2010/11. In its meeting of May 26, 2010, the committee discussed the executive board's variable compensation in relation to the Act on the Appropriateness of Management Board Compensation (VorstAG) and on January 26, 2011, it dealt with the recommendations to the supervisory board for adjusting the executive board's compensation on the respective anniversary dates. The committee also regularly communicated via telephone at other times. The discussions dealt mainly with development of the company and strategy.

The audit committee convened five times during the year, in three meetings and two telephone conferences. At its May 12, 2010 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. In addition, it discussed the recommendation regarding the appointment of the auditors and checked their independence. At its meeting of July 20, 2010 following the annual general meeting, the audit committee appointed the external auditors and set out the main areas for the external audit for 2010/11. In its October 11, 2010 meeting, it dealt with examining the effectiveness of the internal controlling system, the risk management system and the internal audit system, as instructed by the supervisory board. Another agenda item was the discussion of the half-year report. In telephone conferences on July 12, 2010 and January 11, 2011, the audit committee discussed the Q1 and Q3 quarterly reports with the executive board in depth.

The agricultural committee met on January 26, 2011. It discussed the current situation in the agricultural/commodity markets division, the activities of Agrar- und Umwelt AG Loberaue and developments in the agricultural operations in Chile, Poland and Moldova.

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

All members participated in the committee meetings with the exception of the audit committee meetings on May 12, 2010 and July 20, 2010, at each of which one member was excused.

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

Supervisory board effectiveness test | In accordance with paragraph 5.6 of the German Corporate Governance Code, the supervisory board again conducted a test of its effectiveness. This is done annually using a questionnaire, with no outside assistance. Each year, the questionnaire is revised according to the latest changes to the code. The questionnaires were assessed in the meeting on November 25, 2010, at which time the results were discussed and improvement recommendations made. The aim is to continuously improve the work of the supervisory board and its committees.

Corporate Governance | At its meeting on November 25, 2010, the supervisory board discussed in detail the company's compliance with the recommendations and suggestions of the current version of the German Corporate Governance Code dated May 26, 2010.

There were no conflicts of interests during the reporting period.

A detailed description of corporate governance at Südzucker, including the wording of the supervisory board's diversity goals for its future composition and the declaration of compliance for 2010 issued by the executive and supervisory boards, can be reviewed in the declaration regarding corporate management/corporate governance report on page 65 of the annual report. In addition, all relevant information is available on the Internet at www.suedzucker.de/en/Investor-Relations/.

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

Financial statements | PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, was selected by the shareholders at the annual general meeting at the recommendation of the supervisory board. The auditor has reviewed the financial statements and management report of Südzucker AG for the 2010/11 financial year, the recommendation of the executive board for appropriation of retained earnings and the consolidated financial statements and management report for 2010/11, 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 Stock Corporation Act. In particular, it established an appropriate information and monitoring system that meets the needs of the company and that appears suitable for early detection of developments that may threaten the company's survival.

In view of the declaration by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, which states that SZVG holds over 50 % of the voting rights of Südzucker AG, the executive board has prepared a report on related party transactions in accordance with article 312 of the Stock Corporation Act. The auditor reviewed this report and reported its findings in writing. It confirmed that the facts set out in the report are true, that the contractual transactions itemized in the report are not unreasonably high and that there are no grounds for a significantly different assessment 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 5, 2011 meeting and in the supervisory board's financial review meeting of May 17, 2011 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 17, 2011, it endorsed the financial statements for Südzucker AG and the 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 € 0.55 per share.

Board members | There was a personnel change in the supervisory board during the 2010/11 financial year.

Dr. Arnd Reinefeld, Offstein, representing management staff on the supervisory board and a member of the agricultural committee, retired on February 28, 2011 and tendered his resignation. Wolfgang Vogl, Bernried, who was elected as his shadow in the employee elections in 2007, took Dr. Reinefeld's place on the supervisory board effective the date of the latter's retirement.

We owe Dr. Reinefeld a vote of thanks and recognition for his many years of commitment to the company's well being.

Mannheim, May 17, 2011

On behalf of the supervisory board

Dr. Hans-Jörg Gebhard
Chairman


The art
of modern nutrition.
Typical of surrealism is an illusionary, dreamlike, imaginative presentation. Freiberger, on the other hand, typifies a very real approach to the creation of especially tasty and crispy pizzas: popular works of art that mean we're on everyone's lips. It's therefore only too understandable that all leading food outlets in Europe dedicate their cool cabinet shelves to large exhibitions of our pizzas, also sold under their own labels.

Dear shareholders,

Südzucker Group beat its targets for the 2010/11 financial year, as you can see from the impressive annual report presented to you today. All segments contributed to driving group revenues higher by 8 % to € 6.2 (5.7) billion, the highest level in the history of the company. The group's reported operating profit growth was stronger by far; here we are able to report a sharp increase to € 519 (403) million, with all segments also playing a part in the higher profits. We would like you, dear shareholders, to be part of this success. The board will be recommending to shareholders at the annual general meeting that a dividend of € 0.55 (0.45)/per share be paid.

Sugar continues to be one of our most important businesses and plays a considerable role in the company's success. The segment's revenues rose to € 3,279 (3,154) million, which represents 53 % of consolidated group revenues, and operating profit climbed to € 282 (217) million, or 54 % of consolidated operating profit. These numbers clearly show that the company's sugar market share is strong and stable.

The 2010 campaign showed us once again that the weather is a decisive factor over which we have no control. After the records set in 2009, last year's growing season was marked by fluctuating and in some cases poor weather conditions, which caused the group's sugar yield to drop to 11.3 (12.3) t/ha. The harvests and deliveries to the factories were hampered by the early, severe onset of winter throughout all of Europe. The campaign was only successfully completed after an average 103 (116) days in mid-January, 2011 thanks to the commitment and hard work of all involved. In total, 4.2 (4.8) million tonnes of sugar were produced at 29 factories and three refineries.

Let us say a few words about the situation in the sugar market: After many years of excess production throughout the world market and the subsequent low prices, the situation has changed. Although sugar prices fluctuated strongly over the course of the last financial year, they were substantially higher than EU prices for a considerable period. At the same time, Europe went from being the world's second-largest sugar exporter to its largest sugar importer as a result of the production restrictions imposed by European sugar policies.

The world sugar market's dependence on the major exporter, Brazil, has thus risen further. The fact that the high world market prices have not yet directly impacted European sugar users is thanks only to European sugar policies. European sugar users are serviced mainly by the European sugar industry and are thus largely isolated from world market volatility and shortages. The system offers European users supply security while also taking into consideration the interests of the European sugar industry and third party countries.

In the consumer products area, such as functional food ingredients, frozen and chilled pizzas and snacks etc., we are faced with quite variable and sometimes very brief or contradictory trends. In part, consumers focus on food prices, but prices can also take a back seat when foods have special properties. At the same time, we are tied to commodity costs and the ability to adjust prices. The special products segment's expertise is in recognizing these trends and developments at an early stage and responding with appropriate strategies. For the financial year just ended, strong volume growth and price adjustments enabled us to report revenue growth of 13 % to € 1,575 (1,396) million and to slightly improve operating profit to € 144 (138) million.

All of our segments throughout the world process agricultural commodities. The topic of commodity prices is thus a common thread throughout our business fields. Over the course of the financial year just ended, various commodity prices throughout the world quickly went from one record high to the next, driven by continuing strong demand as a result of worldwide population growth and with rising income levels changing eating habits in the emerging markets, along with poor harvests in key producing countries. This effect was reinforced by speculators. As a result, price developments are increasingly hard to estimate or project, and above all, changes occur much more rapidly. As a supplier of agricultural commodities, some of our business units benefit from these developments.

CropEnergies also operates in this realm and was fortunately able to use raw materials flexibly, hedge commodity transactions and sell by-products to mitigate to a large extent the significantly higher grain prices over the course of the financial year. Higher ethanol and by-product production and volumes, together with rising ethanol sales revenues, enabled us to boost revenues to € 437 (362) million and generate a substantially higher operating profit of € 46 (12) million.

We deliver CropEnergies' main product, bioethanol, primarily to the fuel industry. This is why we welcome the introduction of E10 fuel throughout Europe; that is, a blend of 10 % by volume of bioethanol to gasoline. This initiative has enabled the EU to set the stage for encouraging the use of renewable energies in the transportation sector and improving climate protection and energy supply security within the EU. Several European nations have already introduced E10. Users were annoyed by the introduction of E10 in Germany. However, various players have since launched initiatives that aim to better communicate the positive impact of sustainably produced biofuels.

The high capacity utilization at both our factories in Wanze and Zeitz is very satisfactory. The bioethanol produced at these plants meets all the requirements of Germany's biofuel sustainability law. Both operations and the company's tank storage facilities in Rotterdam and Duisburg were certified in October 2010.

Our fruit segment is benefiting from the rising demand for fruit preparations, particularly in regions such as Eastern Europe, Asia and North and South America, where there is increasing demand for fruit yogurt. The fruit juice concentrates business unit also reported positive results, enabling the segment's revenues to rise to € 870 (806) million and operating profit to jump to € 47 (36) million.

All in all, Südzucker Group was able to benefit from the stronger than expected growth in the world economy during fiscal 2010/11. Once again, our employees were responsible for the success. They proved that even in a difficult market environment, they are able to work carefully toward success and remain forward thinking. As a result, we were able to collectively exceed our targets. We thank everyone for their commitment and the mutual trust. You, our shareholders, judged us not only by our targets, but also demonstrated your confidence and solidarity. For this also we extend our thanks and look forward to collectively achieving our targets during the current 2011/12 financial year.

Sincerely,

Südzucker AG Mannheim/Ochsenfurt
The executive board

Dr. Wolfgang Heer Speaker	Dr. Thomas Kirchberg	Thomas Kölbl	Prof. Dr. Markwart Kunz	Johann Marihart


CROP!


The art
of sustainable
energy production.
CropEnergies is master of an art in very high demand: the sustainable production of bioethanol, mainly for automotive fuel. And when one realizes that this creative force lies hidden in the title – "crop" is the acronym for "creative regeneration of power" – it's very tempting to describe this picture as crop art instead of pop art.

Südzucker share and capital market

Capital market environment

After the severe global economic and financial crisis, the European capital markets in 2010 were marked by a robust economic rebound in Germany, which was tempered by the euro crisis and a softening of the US-American economy. Due to escalating national debt, some EU member states were forced to use foreign guarantees or the European rescue package to avoid new borrowing or to reduce their national budget deficits. As a result, yields and risk premiums on their government bonds rose dramatically. In contrast, there was a high demand for German government bonds. The euro slid from 1.44 to the US dollar at the beginning of the year to a brief low of under 1.20 US dollars in mid-2010. In the second half of 2010, the euro turned around as it became clear that the euro zone was benefiting from surprisingly strong growth in the German economy, while in the United States ongoing weak job data fueled fears of another recession.

The German economy proved to be Europe's economic powerhouse. Companies in the exporting mechanical engineering and capital goods industry benefited from strong growth in the emerging markets . German unemployment dropped below the three million threshold in October 2010 for the first time in 18 years. The business climate index reached record highs and at the beginning of December 2010, the consumer index also approached a 30 year high. In 2010, the German economy grew by 3.4 %, the strongest GDP growth reported in the euro zone (euro zone GDP growth: 1.7 %). The ongoing debt crisis of the euro zone's peripheral nations however continued to weigh on the euro.

The stock markets reflected the widely varying situation in the euro zone. The strong competitiveness of German companies and rising profit forecasts underlined the sound stock market rally in Germany despite turbulence in the euro bond market. On September 20, 2010, the MDAX® rose to 8,803, a two-year high, and closed the 2010 stock market year at 10,128.

On February 28, 2011, the last day of trading during Südzucker's financial year, the DAX® and MDAX® closed at 7,272 (5,598) and 10,924 (7,393) respectively.

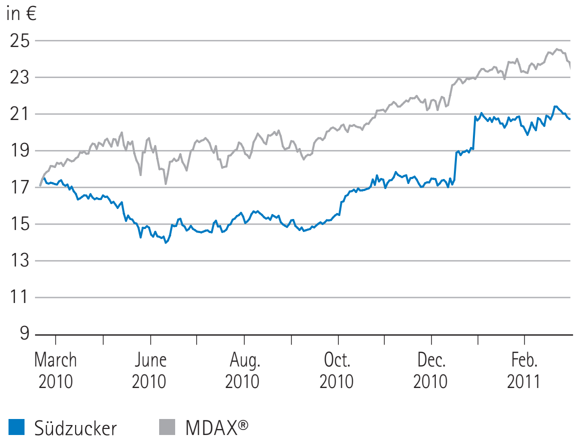
Südzucker's share price performance

At the beginning of 2010, Südzucker's share price rose sharply and on February 26, 2010, the end of the 2009/10 financial year, reached € 17.06. Over the course of the following months, investors on the German stock markets focused on cyclical stocks and looked for profit opportunities by betting on companies exposed to emerging markets. Since Südzucker is generally seen as a defensive stock, the price moved in a range between € 14.00 and € 15.50 from May to September. Südzucker's stock gained new momentum after the preliminary financial results of the second and third quarter interim reports for 2010/11 were released on September 20 and December 17, 2010. The results paired with favorable macroeconomic conditions for Südzucker's businesses drove the share price from € 15.68 on September 20 to a high for the year of € 20.74 on February 11, 2011.

At the end of the 2010/11 financial year on February 28, 2011, Südzucker shares closed at € 19.90. Total shareholder return during Südzucker's financial year – that is, the increase in shareholder value resulting from the rise in the share price plus the dividend – reached 20 %. The MDAX® and DAX® gained 39 % and 30 % respectively over the same time period. The twelve-month performance of Südzucker's share price showed relatively lower fluctuations than the

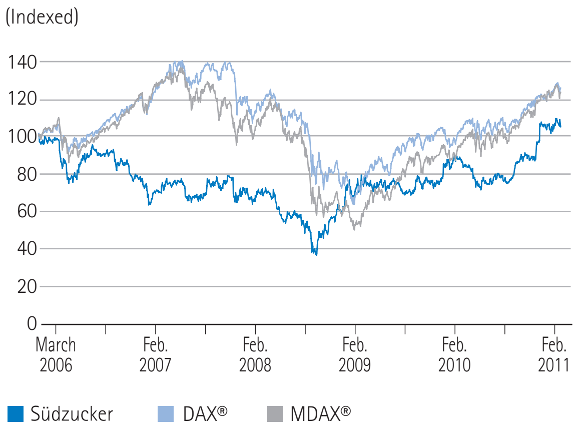
Südzucker share price movement vs. MDAX®*

From March 2010 to February 2011



* Comparison between Südzucker's total return (including dividend distribution) and the index. To facilitate comparison, the MDAX® is normalized based on last year's closing price of € 17.06 for Südzucker shares.

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



overall market, expressed by the shares' volatility. The significantly lower volatility compared to the MDAX® is expressed by the beta factor of 0.52.

Market capitalization and indices

At an XETRA® closing price of € 19.90 per share and 189.4 million common shares outstanding, the company's market capitalization on the last trading day of the 2010/11 financial year was € 3.8 billion. With a free float market capitalization of € 1.3 billion on February 28, 2011, the weighting of Südzucker shares on the MDAX® was 1.6 %. At the period end, Südzucker shares were also listed on the following indices watched by international fund managers: FTSE® Euromid, MSCI® Germany/Europe and STOXX® Europe 600.

The average daily trading volume of Südzucker shares on all German stock exchanges was 0.8 million shares, which corresponds to about € 12.7 million per trading day[1], or an annual trading volume of € 3.3 billion for the 2010/11 financial year.

Shareholder structure

Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) is the majority shareholder with a stake of about 55 %, which comprises 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 shareholders and owns about 10 % of Südzucker AG. After subtracting the shares owned by the two majority shareholders, the total percentage of free float Südzucker shares outstanding is 35 %. On July 20, 2010, the New York-based mutual fund company BlackRock Inc. submitted a voting rights announcement stating that its holding of Südzucker AG shares had fallen below the 3 % reporting threshold stipulated by capital market regulations.

Investor relations

The investor relations team regularly updated shareholders and bondholders in a transparent and timely manner regarding the context of business developments and the strategic and operational initiatives launched by Südzucker Group. The main topics of communication in fiscal 2010/11 were the temporarily high sugar exports, the particularly successful development of Südzucker's bioethanol business and the raising of the group's guidance.

The investor relations team communicated via various channels, in particular numerous one-on-one meetings, telephone calls and correspondence with institutional and private investors, analysts and rating agencies. A core component of our capital markets communications

Südzucker share data

		2010/11	2009/10
Dividend	€/share	0.55[1]	0.45
Dividend yield	%	2.77	2.64
Average share price	€/share	16.60	14.84
High for the year	€/share	20.74	17.58
Low for the year	€/share	13.94	13.20
Closing price XETRA® (record date)	€	19.90	17.06
Average trading volume/day[2]	million of shares	0.78	0.96
Market capitalization as of period end	€ million	3,768	3,230
Number of shares issued at € 1 (common stocks)		189,353,608	189,353,608
Share performance indicators			
Earnings per share	€	1.32	1.06
Cash flow per share	€	3.20	2.92
Price-earnings ratio[3]		15.08	16.09
Price-cash flow ratio[4]		6.6	5.8

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

[1] Source: Reuters. Total daily volume of shares traded on all German stock exchanges on which Südzucker shares are listed.

Südzucker share stock market data

ISIN	DE 000 729 700 4
WKN (security number)	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®)

is participation at investor conferences in Frankfurt and Munich, our annual analysts' conference in Frankfurt and telephone conferences in conjunction with our quarterly reports. Just as important were investor road shows to the European and US-American financial centers. These contributed significantly to transparency and ongoing reporting to the capital markets.

The quality of coverage of Südzucker shares by way of regular analyses was enriched with the initiation of coverage by HSBC Bank.

A standard component of the Investor Relations communication is the data, presentations and news posted for review by all investors and interested parties in a timely fashion on Südzucker's Web site at www.suedzucker.de/en/Investor-Relations/. Among other things, the site includes up-to-date information on Südzucker's share, its bonds, corporate news and the financial calendar.

Rating

Südzucker is one of only about 40 German companies listed on the stock exchange with a corporate or bond rating from the major international rating agencies. A rating of this type is a fundamental prerequisite for efficient capital market refinancing at risk-commensurate capital costs and gives Südzucker financial maneuvering room beyond relying on bilateral bank credit lines. Since receiving a rating, Südzucker has had an investment grade rating, which attests to our company a higher creditworthiness in comparison to companies with a non-investment grade rating. Institutional investors such as insurance companies and pension funds are often obligated by law or internal investment rules to only participate in financial instruments of investment grade companies. A lower risk premium is paid in the capital markets for investment grade bonds.

We continued our dialogue with the rating agencies Moody's and Standard & Poor's (S&P) during the 2010/11 financial year. On July 22, 2010, Moody's confirmed the company credit rating with investment grade of Baa2 (company and bond rating) and raised its outlook from negative to stable. The hybrid bond rating went from Ba1 to Ba2 due to a change in Moody's global rating methodology; however, the recognized equity share used to calculate the ratings remained unchanged at 75 %.

On September 30, 2010, S&P confirmed its investment grade rating of BBB and also raised its outlook from negative to stable. S&P left its evaluation of the equity share for the hybrid bond unchanged at 50 %.

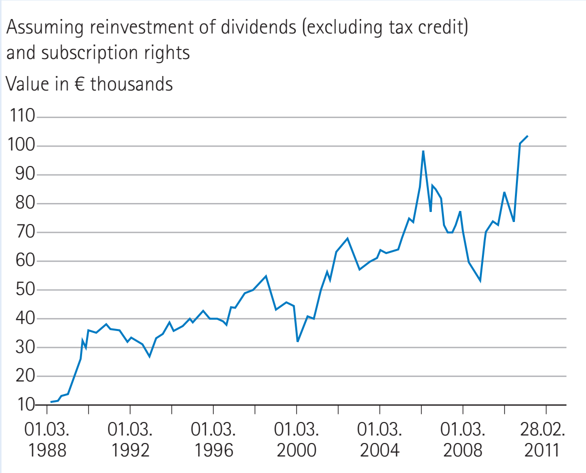
By confirming the investment grade rating and raising their outlook, the rating agencies acknowledged the significant improvement in the key indicators that are relevant to the ratings. For the financial year just ended, Südzucker was able to improve its operating results and cash flow and significantly reduce its net financial debt.

Südzucker AG bonds

	Coupon	Volume (€)	ISIN	Stock market
Bond 2002/2012	5.75 %	500 million	DE 000 846 102 1	Frankfurt (listed), Stuttgart and Düsseldorf (over-the-counter)
Hybrid bond 2005 Perpetual NC 10*	5.25 %	700 million	XS 0222524372	Luxemburg (listed), Frankfurt, Stuttgart, Munich, Berlin (over-the-counter)
Convertible bond 2009/2016	2.50 %	283.45 million	DE 000 A1A JLE 6	Frankfurt (over-the-counter)
Bond 2011/2018 Issued on March 22, 2011	4.125 %	400 million	XS 0606202454	Luxemburg (listed), Frankfurt (over-the-counter)

* Right of termination for the first time in June 2015.

Long-term shareholder value



The Südzucker stock is characterized as a stable investment and generated a value growth in fiscal 2010/11 with a respective positive impact on long-term performance. An investor with a virtual portfolio of 1,589 Südzucker AG common shares on March 1, acquired 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 by exercising his or her subscription rights – i.e., without investing additional cash – would have had a portfolio worth € 102,632[1] on February 28, 2011, representing a cumulative net worth gain of 926 %. The average annual return of the Südzucker holdings over the entire period is 10.6 %, versus the average return of the MDAX® of 10.4 % and of the DAX® of 8.6 %.

[1] The Frankfurt Stock Exchange trading floor spot rates are used here to ensure long-term comparability.

Dividend for the 2010/11 financial year

The executive and supervisory boards will ask shareholders at the annual general meeting called for July 21, 2011 to vote on their recommended dividend of € 0.55 per share. Based on 189.4 million common shares issued, this will result in a dividend distribution of € 104.1 million.

Based on the closing price on the balance sheet date, February 28, 2011, Südzucker shares will thus yield 2.8 % if the dividend is approved at the annual shareholder meeting on July 21, 2011. The yield of Südzucker shares over the long term exceeds that of the comparable MDAX® yield of 2.4 %[1].

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

The art
of the rich harvest

Impressive still lifes composed with exquisite fruit were not only a favorite motive of many painters in the cubism period. This concentration on the beautiful and essential is also impressively reflected in our fruit segment. Not without reason are we today's global market leader with AGRANA for fruit preparations. And one of the leading producers of fruit juice concentrates in Europe.

Consolidated management report
Earnings position, assets and financial position

Group business performance

		2010/11	2009/10	+/- in %
Revenues	€ million	**6,161**	**5,718**	**7.7**
EBITDA	€ million	**772**	**645**	**19.6**
Depreciation on fixed assets and intangible assets	€ million	-253	-243	4.3
Operating profit	€ million	**519**	**403**	**28.9**
Restructuring/ special items	€ million	-8	-10	-20.6
Income from operations	€ million	**511**	**392**	**30.1**
EBITDA margin	%	12.5	11.3	
Operating margin	%	8.4	7.0	
ROCE	%	9.8	7.5	
Investments in fixed assets	€ million	245	216	13.3
Investments in financial assets	€ million	6	17	-65.3
Total investments	€ million	**251**	**233**	**7.6**
Employees		17,658	17,493	0.9

Income statement

€ million	2010/11	2009/10	+/- in %
Revenues	**6,161**	**5,718**	**7.7**
Operating profit	519	403	28.9
Restructuring/special items	-8	-10	-20.6
Income from operations	**511**	**392**	**30.1**
Income from companies consolidated at equity	4	2	> 100
Earnings from financing activities	-74	-46	61.3
Earnings before taxes	**441**	**348**	**26.5**
Taxes on income	-96	-72	33.3
Consolidated net earnings	**345**	**276**	**24.7**
thereof Südzucker AG shareholders	250	200	25.1
thereof hybrid capital	26	26	-
thereof other minority interests	68	50	35.9
Earnings per share (€)	**1.32**	**1.06**	**25.1**

Revenues and operating profit

In 2010/11, the group's revenues rose 8 % to € 6,161 (5,718) million. All segments contributed to the revenue growth.

Consolidated group operating profit was again up significantly in financial 2010/11, reaching € 519 (403) million. The sugar, CropEnergies and fruit segments' earnings were sharply higher and the special products segment's operating profit also climbed.

Südzucker thus beat its targets for the financial year just ended.

Income from operations | Income from operations came in at € 511 (392) million, up € 119 million, and tracked operating profit, which rose € 116 million year-over-year and closed at € 519 (403) million.

Result from restructuring and special items | The result from restructuring and special items was posted at € -8 (-10) million. Of this amount, € -6 (12) million was attributable to the special products segment, mainly for restructuring measures and accruals for legal risks.

The year prior, the sugar segment had to take into consideration charges for restructuring programs and revaluation of default risks. These were largely offset by income from insurance settlements the special products segment received for claims associated with fire damage at the Freiberger pizza plant in Skelmersdale, Great Britain.

Income from companies consolidated at equity | Income from companies consolidated at equity totaled € 4 (2) million and includes the company's share of earnings from a joint venture sales organization.

Financial result | The financial result totaled € -74 (-46) million. The deterioration is due to the prior year's reported currency exchange gains from euro financing of East European companies and interest income from the discounted receivables from the EU restructuring assistance.

The lower average debt was a major reason for the lower financing costs, which dropped € 23 million to € 105 (128) million.

Taxes on income | After deducting income taxes in the amount of € 96 (72) million, net earnings for the year were reported at € 345 (276) million.

Consolidated net earnings | Of the consolidated net earnings of € 345 (276) million, € 250 (200) million are allocated to Südzucker AG shareholders, € 26 (26) million to hybrid bondholders and € 68 (50) million to other minority interests, the majority of which are co-owners of AGRANA Group and CropEnergies Group.

Earnings per share | Earnings per share were posted at € 1.32 (1.06), which was calculated by dividing Südzucker AG's shareholders' allocation of € 250 (200) million by 189 million, the total number of outstanding shares.

Cash flow statement

€ million	2010/11	2009/10	+/- in %
Cash flow	**606**	**553**	**9.6**
Increase (-)/Decrease (+) in working capital	**-15**	**275**	**-**
Investments in fixed assets			
Sugar segment	126	106	18.2
Special products segment	67	50	33.8
CropEnergies segment	21	34	-36.0
Fruit segment	31	26	18.1
Total investments in fixed assets	**245**	**216**	**13.3**
Investments in financial assets	**6**	**17**	**-65.3**
Total investments	**251**	**233**	**7.6**
Dividends paid	**-143**	**-133**	**8.1**

Cash flow | The cash flow increase of € 53 million to € 606 (553) million is due to the excellent growth in operating profit.

Working capital | The additional capital bound due to the increase in working capital of € 15 million compares to the prior year's freed up cash flow of € 275 million.

On the one hand, this was the result of the € 446 million received in June 2009 in connection with the EU restructuring assistance, which was offset by the last installment of the EU restructuring levy of € 363 million paid to the EU restructuring fund in October 2009.

On the other hand, in 2010/11, inventories were reduced by significantly less than the year prior. This is largely because the manufacturing costs for the inventories were included in the EU restructuring levy, which was imposed for the last time in 2008/09. Despite the record beet harvest during the 2009 campaign, the elimination of these charges in 2009/10 led to significantly lower sugar production costs, which reduced the value of the inventory.

Investments | Investments in fixed assets rose to € 245 million from € 216 million the year prior.

The sugar segment invested € 126 (106) million, mainly for the packaging station in Roye, France, the evaporator station and extraction tower in Plattling, Germany, and replacement investments.

The special products segment's investments of € 67 (50) million were mainly for construction of the pizza factory in Westhoughton, Great Britain and replacement investments.

Following the completion of the new construction in Wanze, Belgium, the CropEnergies segment's investments declined further to € 21 (34) million.

The fruit segment invested € 31 (26) million, among other things for a chocolate-dipped fruit production system in Gleisdorf, Austria, a tunnel for shock freezing individual fruits in Jacona, Mexico, and the finished goods warehouse in Serpuchov, Russia.

Profit distribution | The profit distribution of € 143 (133) million includes the dividend payment for the 2009/10 financial year of € 0.45/share, or € 85 million, to shareholders of Südzucker AG in July 2010.

The remaining profit distributions related to the hybrid bondholders and other minority interests, mainly the co-owners of our AGRANA and CropEnergies subsidiaries.

Balance sheet

€ million 28 February	2011	2010	+/- in %
Assets			
Non-current assets	4,047	4,111	-1.5
Current assets	3,213	3,287	-2.2
Total assets	**7,260**	**7,398**	**-1.9**
Liabilities and shareholders' equity			
Shareholders' equity	3,743	3,500	7.0
Non-current liabilities	1,306	1,922	-32.1
Current liabilities	2,211	1,976	11.9
Total assets	**7,260**	**7,398**	**-1.9**
Net financial debt	853	1,065	-19.9
Net financial debt to cash flow ratio	1.4	1.9	
Equity ratio	51.6 %	47.3 %	
Net financial debt as % of equity (Gearing)	22.8 %	30.4 %	

Assets totaled € 7,260 (7,398) million, € 138 million less than the year prior.

The decline in **non-current assets** by € 64 million to € 4,047 (4,111) million was due mainly to the liquidation of Eastern Sugar Group, which had been reported under shares of companies consolidated at equity. Eastern Sugar had already returned its sugar quotas for Slovakia, Czech Republic and Hungary to the EU restructuring fund following the 2006 sugar campaign. The liquidation was largely completed during the financial year just ended. Write-downs and investments in assets almost fully offset one another.

The decline of € 74 million in **current assets** to € 3,213 (3,287) million is mainly due to the lower inventories in the sugar segment as a result of lower production than the year prior due to bad weather. In addition, security holdings and cash and cash equivalents were both reduced.

Shareholders' equity totaled € 3,743 (3,500) million and the equity ratio was about 52 (47) %, both higher than last year.

Non-current liabilities declined by € 616 million to € 1,306 (1,922) million. This decline was the result of moving the Südzucker bond valued at € 500 million from non-current to current liabilities. The bond matures on February 27, 2012. In addition, non-current bank liabilities were reduced by € 65 million to € 302 million. Non-current liabilities of € 239 million include the convertible bond placed on June 30, 2009.

The increase of € 235 million in **current liabilities** resulted in a final total of € 2,211 (1,976) million. This is primarily because the Südzucker bond valued at € 500 million was moved from non-current to current financial liabilities. In addition, the company was able to reduce current bank liabilities by € 45 million to € 285 million. The current financial liabilities as of February 28, 2010 also included the € 300 million ten-year bond that was repaid when it came due on June 8, 2010.

Net financial dept was reduced by € 212 million to € 853 million after the prior year's € 1,065 million. The ratio of net financial debt to equity improved dramatically, from about 30 % to 23 %. The net financial debt to cash flow ratio of 1.4 was also considerably better than the 1.9 recorded the year prior.

Recommended appropriation of profits

The executive and supervisory board's recommended dividend of € 0.55 (0.45)/share reflects the significantly higher profits. Based on the 189.4 million shares in circulation, the total dividend distribution will be € 104.1 (85.2) million.

Sugar segment

Economic environment, general conditions

World market

F.O. Licht's second estimate of the world's sugar balance for the 2010/11 campaign year, released in March 2011, forecasts production at 166.9 (158.6) million tonnes and consumption at 164.1 (161.1) million tonnes. Global sugar inventories would thus stabilize at a low level and reach 57.8 (56.5) million tonnes, or 35.2 (35.1) % of one year's consumption.

Global sugar balance[1]

		2010/11	2009/10	2008/09
Opening balance	Millions of t	**56.5**	**62.3**	**73.8**
Production	Millions of t	166.9	158.6	151.9
Beet sugar share of production	%	19.6	22.2	21.3
Consumption	Millions of t	164.1	161.1	159.3
Volume adjustments	Millions of t	-1.5	-3.3	-4.1
Closing balance	Millions of t	**57.8**	**56.5**	**62.3**
In percent of consumption	%	35.2	35.1	39.1

[1] Source: F. O. Licht, second world sugar balance estimate for 2010/11 dated March 18, 2011.

Last year, world market prices for sugar were very volatile. After reaching a historic high of € 546 per tonne of white sugar in February 2010, prices initially declined sharply to € 343 per tonne of white sugar, then rose to the end of December to a new all-time high of € 629 per tonne of white sugar, and have since again declined amid ongoing volatility. The world market price for white sugar was € 538 per tonne on February 28, 2011.

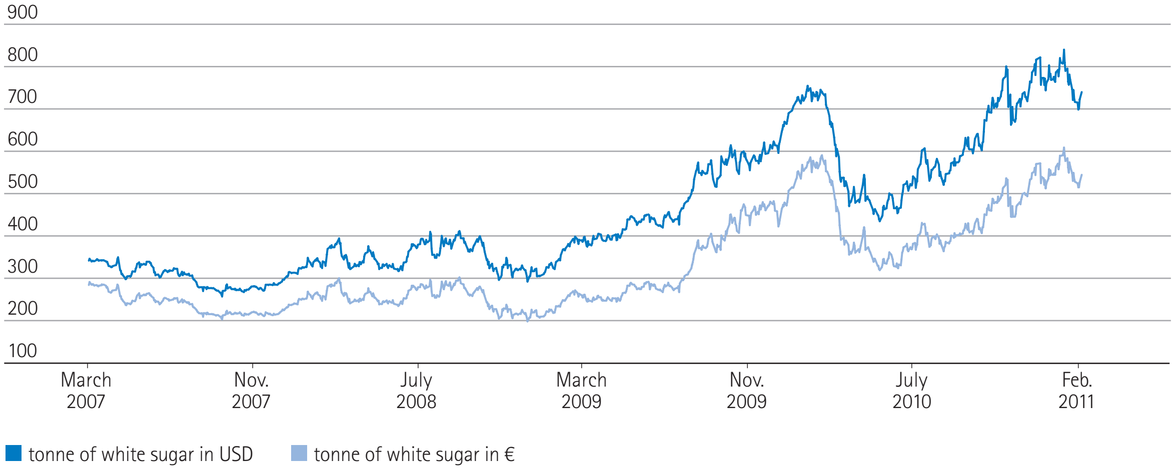
European Union

EU domestic market | In 2006, the EU sugar market was reformed extensively. A major element of the reform was the complete elimination of duties for the LDCs and ACP countries effective October 1, 2009. As a result of the reforms, the EU went from being the world's second-largest net exporter to one of the world's largest net importers (2009/10 sugar marketing year). The EU is now only able to supply about 85 % of its own needs; i.e., its dependence on world market imports, especially on Brazil as main exporter, is significant.

There was no incentive to import sugar into the EU in the initial months of the 2010/11 sugar marketing year because the world market price during this time was higher than the domestic market price. In November 2010, duties on all import sugar quotas were suspended until August 31, 2011 to counter the declining supply of imported sugar. In addition, in February 2011, the EU Commission for the first time allowed 0.5 million tonnes of non-quota sugar to be sold in the EU food market. In March 2011, an additional duty-free import quota of 0.3 million tonnes was announced. The

Global market sugar prices

March 1, 2007 to February 28, 2011
London, nearest forward trading month




The art of sweet shapes.
Sugar always ensures our undivided attention. In all its imaginable forms. This approach means that not only the experts of this art have elevated us to European market leader. Wherever sugar plays an important role you'll find us, and our creations, always on show. And it's not just the large sculptures that earn the appreciation of an interested public. Often enough it's the very small items too.

expectation is that quota sugar inventories will be at the prior year's level on September 30 due to these measures.

The EU Commission is expecting total sugar production for the 2010/11 sugar marketing year to reach 15.3 (17.5) million tonnes. When quota sugar production remains steady, non-quota sugar production especially declines.

EU exports | Due to WTO obligations, the EU has significantly restricted export opportunities to only 1.4 million tonnes of sugar. The EU Commission completely eliminated export refunds for unprocessed quota sugar and sugar in processed products as of the beginning of the 2008/09 sugar marketing year. There are currently no plans for reinstatement.

The export quota for non-quota sugar was initially set at 1.4 million tonnes for the 2009/10 sugar marketing year. Because of the excellent harvest in the EU and lost production in other parts of the world (Brazil, India), world market prices climbed higher than the EU market price level. This led the EU Commission to announce in January 2010 an additional export quota of 0.5 million tonnes of non-quota sugar for the 2009/10 sugar marketing year.

Export licenses for only 0.65 million tonnes of sugar were initially granted for the 2010/11 sugar marketing year. The export quota tender invitation was thus significantly oversubscribed, and sugar companies received only 70 % of the volumes for which they applied. In April 2011, a further 0.7 million tonnes of non-quota sugar were granted for export effective September 2011. In March 2011, the EU decided to grant exports of 0.65 million tonnes of sugar for the 2011/12 sugar marketing year, effective January 1, 2012.

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

Key sections of the domestic EU sugar market regulations will expire on September 30, 2015. Most of these are related to general EU agricultural policies and current discussions in this regard are centered around the direction of these policies from 2014 on. This could result in the establishment of policies that will relate to the EU sugar market after 2015. The EU Commission has announced that it will review all options regarding the EU sugar market regulations running from October 2015.

WTO-II negotiations | No progress has yet been made on completing WTO-II negotiations, which have been underway since 2001. WTO's director general Pascale Lamy sees a definite but brief window of opportunity for a successful conclusion in 2011.

Free trade agreement | In parallel with the ongoing WTO-II round, the EU Commission is also currently negotiating with various nations and communities concerning potential free trade agreements. In 2010 the EU commission and the Andean nations Colombia and Peru, as well as central American nations such as Costa Rica, Guatemala, Honduras, Nicaragua, Panama and El Salvador, reached an agreement whereby the EU granted duty-free import quotas of 246,000 tonnes of sugar and 30,000 tonnes of products containing substantial amounts of sugar. In addition, it was agreed to raise the quota for each of these duty-free imports by 3 % per annum. These agreements still have to be ratified by the European Parliament and the European Council. In 2010, the EU resumed its free trade negotiations with MERCOSUR, the South American common market. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice - during the course of these renewed negotiations, additional sugar volumes could be imported free of duty into the European Union in quantities that would be defined in terms of negotiated import quotas.

Emission trading | According to information released by the EU Commission, the sugar industry fulfills the criteria related to carbon leakage. This means that CO_2 certificates can be issued free of charge (only for the thermal part of any existing co-generation facilities) although there is the possibility of cutbacks. This also applies to starch, inulin and ethanol production. It is expected that Südzucker will not have enough certificates as of 2013.

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 (4.8) million tonnes of sugar in 29 sugar factories and three refineries. The plants are located in Germany, Belgium, Bosnia, France, Moldova, Poland, Austria, Romania, Slovakia, the Czech Republic and Hungary. Südzucker is by far the largest sugar producer in Europe, with a share of about 24 % of the EU's sugar quota. The agriculture, animal feed and Bodengesundheitsdienst divisions are other business units attached to the segment.

Sugar segment business performance

		2010/11	2009/10	+/- in %
Revenues	€ million	**3,279**	**3,154**	**4.0**
EBITDA	€ million	**396**	**331**	**19.6**
Depreciation on fixed assets and intangible assets	€ million	-114	-114	-
Operating profit	€ million	**282**	**217**	**29.8**
Restructuring/ special items	€ million	-3	-16	-84.1
Income from operations	€ million	**279**	**201**	**39.1**
EBITDA margin	%	12.1	10.5	
Operating margin	%	8.6	6.9	
ROCE	%	10.3	7.5	
Investments in fixed assets	€ million	126	106	18.2
Investments in financial assets	€ million	5	9	-43.3
Total investments	€ million	**131**	**115**	**13.6**
Employees		7,978	8,218	-2.9

In the first full year during which there were no charges related to the restructuring phase of the EU sugar market, the sugar segment was able to generate substantially higher revenues and operating profit.

Revenues | Revenue grew to € 3,279 (3,154) million thanks to substantial non-quota sugar volumes, which were sold at high world market prices. The higher quota sugar volume, particularly due to larger trading volumes from Mauritius, was unable to completely offset the reduced quota sugar sales revenue arising from the price reductions that came into effect on October 1, 2009.

Operating profit | Operating profit was up 30 % to € 282 (217) million. This shows that even though quota sugar sales revenues were down again, it was possible to more than offset the decline by cutting costs and delivering higher volumes. The growth of the non-quota sugar business, with higher volumes in the industrial non-food area, and the relatively high non-quota sugar exports in the first quarter of 2010/11 resulting from the additional export quota granted by the EU also had a positive impact.

Sugar produced from beets and by refining

A total of 26.1 (28.4) million tonnes of beets were harvested for Südzucker Group companies during the 2010 campaign. The volume of sugar extracted from beets was 3.9 (4.4) million tonnes, based on a theoretical sugar yield of 11.3 (12.3) t/ha. The total volume of raw cane sugar refined at the refineries in Marseille (France, Saint Louis Sucre), Buzau (Romania, AGRANA International) and Brčko (Bosnia-Herzegovina, AGRANA International) was 0.30 (0.35) million tonnes. The total amount of sugar produced, including refined sugar, is 4.2 (4.8) million tonnes.

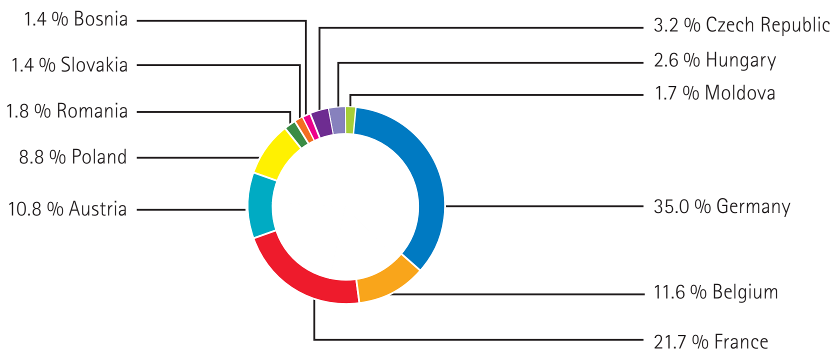
Sugar produced from beets and by refining

in 1,000 of tonnes	2010	2009	+/- in %
Germany	1,484	1,822	-19
Belgium	492	616	-20
Bosnia	58	50	+16
France	922	962	-4
Moldova	74	33	> 100
Austria	457	414	+10
Poland	374	410	-9
Romania	77	157	-51
Slovakia	61	58	+5
Czech Republic	135	139	-3
Hungary	110	108	+3
Total	**4,244**	**4,769**	**-11**

Cultivation area | Compared to the year prior, Südzucker Group's beet cultivation area was reduced in total by about 3 % to 388,000 (401,000) ha. The Raffinerie Tirlemontoise in Belgium and Südzucker AG in Germany in particular were restricted due to the increased transfer volumes. However, it is gratifying to see the significantly expanded cultivation areas in Slovakia, Romania and Moldova.

Beet planting | Beet planting began in France already on March 10, 2010 and was largely completed within two weeks. The main planting in the rest of Südzucker Group's regions began around Easter under favorable conditions. In Belgium, wet weather delayed planting of the beets somewhat, to between April 12 and 19, 2010.

Sugar production by region in %



Subsequent beet development | After seeding, cool weather hampered development of the young beets in many of Südzucker's fields. May was too cold and too wet compared to the long-term average; sometimes it rained very hard and fields were submerged, especially in Poland, the Czech Republic and Slovakia. The weather was only dry until the start of the summer in France and in the northern part of Südzucker's German cultivation areas. However, despite low temperatures until the beginning of June, beet rows closed right on time when compared to the long-term average. Overall, temperatures in Südzucker Group's region were moderate and growing conditions were good, so that the beets were able to make up for any retardation that occurred at the beginning of the growing season. High temperatures reaching almost 40 °C in August had a negative impact on beat growth in Moldova.

2010/11 campaign | The 2010/11 campaign began on September 10, 2010 at three Polish factories and all 29 factories had started processing by the end of September. Shortly after the start of the campaign, the Drochia factory was shut down for seven days due to steady rains, which prevented beet deliveries. Startup of the Falesti factory was subsequently also postponed.

Weather conditions impacted the campaign throughout the group. Although harvest conditions were good at the beginning, by the end of September, substantial rain in many areas made beet harvesting, loading and transportation challenging. After a breather at the end of November, winter arrived. Beets had to be loaded and cleaned under extreme weather conditions. Wintery field and road conditions made beet transportation difficult. Syrup processing and process-related measures were used to bridge the periods during which the volume of beets delivered was inadequate. Overall, Südzucker Group's factories operated without any major technical problems during the campaign.

Despite the difficult conditions and their impact on the campaign costs, all beets were harvested and processed thanks to the strong commitment of everyone involved.

Campaign duration | The average beet campaign duration was 103 (116) days. The longest campaigns occurred at Südzucker Polska's sites in Silesia and AGRANA in Austria: 124 days and 119 days respectively.

Yields | Südzucker Group's beet yield came in at 67.3 (71.0) t/ha. Although it did not match the prior year's high-value, it was greater than the five year average of 65.7 t/ha. Over the course of the campaign, the sugar yield grew, but at 16.8 % it is below the long-term average of 17.2 %.

Beet syrup campaign | From the beet syrup campaigns at five of Südzucker Group's factories, 257,900 (276,200) tonnes of sugar were crystallized.

Organic beet campaigns | Organic beets were processed at the Warburg factory in Germany and the Hrusovany plant in the Czech Republic.

Systems for delivery planning, yard and commodities | The enhanced Web-GIS[1] application at Südzucker's commodity portal became a fixed part of field-specific delivery planning during this campaign. Live tests were also conducted on the system during the campaign in Belgium. Plans call for expanding the system into France.

[1] Geographic Information System.

The active transponder identification system, which is used at Raffinerie Tirlemontoise and almost all German factories, was introduced at the beet yards in Zeitz and Roye. Brottewitz is the last German factory to convert and will be using the system during the next campaign. The raw material management software RMS[1], which is already being used in Belgium, Chile and Germany, was introduced at Saint Louis Sucre.

Dismantling | The dismantling of the reusable equipment from the closed factories in Hollogne and Brugelette, Belgium, and Groß-Gerau and Regensburg, Germany, is complete. At the current time, all that remains to be done are some cleanup operations and checks by the authorities.

Breakdown by country

Germany | Südzucker AG's total beet cultivation area fell 9 % to about 137,000 (151,000) ha. Both the beet yield of 70.0 (75.7) t/ha and the sugar content of 17.6 (18.2) % were lower than last year. In total, Südzucker AG converted 9.58 (11.43) million tonnes of beets into 1.11 (1.41) million tonnes of crystallized sugar at its German factories, in addition to producing 0.40 (0.45) million tonnes of sugar in the form of syrup and runoff. The campaign duration averaged 97 (116) days.

At Südzucker in Germany, the specifications of the biofuel sustainability law have been part of the beet supplier delivery contract, as well as the industry agreement, since 2010 and are fulfilled by every farmer. In October 2010, the Zeitz and Brottewitz sugar factories were certified to be in compliance with the requirements of the REDcert system and site inspections of the beet growing operations took place in March 2011.

Belgium | The beet plantation area at the Tirlemontoise refinery in Belgium declined to 43,000 (46,000) ha. Although the numbers fell short of the record achieved in 2009, the beet yield of 72.6 (77.7) t/ha and sugar content of 17.2 (18.7) % resulted in a theoretical sugar yield of 12.5 (14.6) t/ha, a quite respectable average result. In total, 0.37 (0.45) million tonnes of sugar and 0.12 (0.16) million tonnes of sugar in the form of syrup and runoff were extracted from 3.11 (3.55) million tonnes of beets. In Tienen, work started on processing stored beet syrup and runoff immediately following the beet campaign. It took 118 (130) days to complete the processing at the two sites.

Bosnia | The average volume of raw sugar processed at the Brčko factory was about 550 t/day.

France | The cultivation area handled by Saint Louis Sucre in France remained at 61,000 ha, the same as the year prior. The theoretical yield of 12.7 (13.7) t/ha makes SLS Südzucker Group's front runner. Overall, the company produced 0.45 (0.47) million tonnes of crystallized sugar from 4.98 (5.51) million tonnes of beets. A further 0.27 (0.33) million tonnes of sugar were stored in the form of beet syrup and runoff. The campaign duration was almost unchanged at 106 (108) days.

Moldova | Südzucker Moldova's beet cultivation area increased dramatically, to 17,000 (15,000) ha. After the arid conditions in 2009, the yield more than doubled to 32.7 (16.0) t/ha, so that despite the low sugar content of 15.7 (17.3) %, 0.56 (0.23) million tonnes of beets, from which 0.07 (0.03) million tonnes of sugar were crystallized, were processed in the two factories. Because of the larger beet volume, the beet campaign lasted 81 (47) days.

Poland | Poland's cultivation area remained almost the same at 44,000 ha. Despite flooding of a number of beet fields, the harvest was better than average. Beet yield and sugar content came in at 56.7 (59.4) t/ha and 16.2 (16.4) t/ha respectively. The five factories produced 0.28 (0.31) million tonnes of sugar and stored 0.08 (0.06) million tonnes of sugar in the form of syrup and runoff from 2.50 (2.60) million tonnes of beets. The campaign ended in mid January 2011 after 108 (117) days.

Austria | The total cultivation area at AGRANA in Austria was expanded by 2 % to 45,000 (44,000) ha. The beet yield ended at 69.8 (69.5) t/ha, slightly higher than the year prior. In contrast to the trend throughout Europe, Austrian beets were sweeter than the year prior, with a sugar content of 17.2 (16.1) %. The Austrian sugar factories were thus able to produce 0.46 (0.41) million tonnes of sugar from 2.91 (2.84) million tonnes of beets. The last beet was processed after 119 (122) days.

Hungary | The beet cultivation area in Hungary was the same as last year: 14,000 ha. The beet yield was very good at 62.5 (54.5) t/ha, but the sugar content was only 15.0 (16.6) % because of poor weather. The daily volume processed was substantially higher and the company produced 0.11 (0.11) million tonnes of sugar from 0.84 (0.75) million

[1] Raw Material System.

tonnes of beets. The campaign ended in Kaposvár on January 7, 2011 after 117 (115) days.

Czech Republic | The cultivation area remained unchanged at 13,000 ha and on average, 53.7 (57.0) tonnes of beets/ha with a sugar content of 16.6 (16.5) % were harvested. The company produced 0.13 (0.14) million tonnes of sugar from 0.89 (0.93) million tonnes of beets at its two factories. The average campaign duration was 104 (110) days.

Slovakia | The cultivation area in Slovakia rose 12 % to about 8,000 (7,000) ha. On average, 59.7 (53.5) tonnes of beets/ha were harvested during the campaign. The lack of sunshine had a marked effect on sugar content, which came in at a disappointing 14.7 (16.0) %. The Sered sugar factory crystallized 0.06 (0.06) million tonnes of sugar from 0.48 (0.40) million tonnes of beets. Processing started on September 15, 2010 and finished after 121 (105) days on January 14, 2011.

Romania | Romania had a cultivation area of 7,000 (6,000) ha. The yield was 37 % higher than the year prior at 41.4 (30.1) tonnes of beets/ha. The sugar content was lower than last year at 15.8 (17.5) %. Beet processing in Roman was 53 % higher than last year. The company crystallized 0.04 (0.03) million tonnes of sugar from 0.29 (0.19) million tonnes of beets. It also refined 0.04 million tonnes of raw sugar. The campaign started on September 30 and finished after 80 (51) days on December 22, 2010.

Sugar volumes

Sugar volumes again higher

Consolidated total volume for all group companies, including non-quota sugar exports and shipments to the non-food industry, rose 8 % to 5.3 (4.9) million tonnes in fiscal 2010/11. The EU companies were able to ship 5.1 (4.8) million tonnes, or 7 % more than the year prior. The two companies outside the EU in Moldova and Bosnia together generated a volume of 0.2 (0.2) million tonnes. This increase of 49 % was driven by the excellent growth in Bosnia.

Quota sugar volume growth very satisfactory

Südzucker Group grew its market share within the EU 6 %, to 4.2 (4.0) million tonnes, not only successfully defending its share in markets with own production locations, but also again expanding in other EU countries. In the countries in which the group has its own production facilities, volumes to the sugar processing industry rose 3 %. Customers who over the past few years have relied more on starch sweetener products on account of their lower prices, have increasingly returned to sugar. Imports of fruit juice concentrates in other blends containing large amounts of sugar have almost completely fallen by the wayside, because products made with sugar purchased at high world market prices are no longer cheaper than those produced using EU sugar.

Retail volumes did not match the unusually high levels of the year prior and sank 4 %. The financial crisis and an excellent jam sugar season had driven household sugar consumption up sharply the year prior. The subsequent normalization was thus anticipated. Retail sales by region were also down in almost all countries.

Volume growth in the EU countries in which Südzucker Group has been growing its market share for several years, either through its own distributors or key account management, continued to be satisfactory. Volumes in countries such as Italy, Spain and Great Britain, to name just a few, were up 16 %. About 30 % of Südzucker's own quota sugar volumes go to these countries.

Non-quota sugar volumes rising sharply

Non-quota sugar volumes were reported at 0.9 (0.8) million tonnes, an increase of 11 %. Exports to non-EU countries accounted for 0.4 (0.4) million tonnes. Most of the available export licenses for the 2010/11 campaign year have already been utilized during the first few months, so that there will be hardly any exports between March and September 2011.

The consumption of non-quota sugar within the EU, and thus in the non-food industry, rose 17 % to 0.5 (0.4) million tonnes. The industrial sugar market segment remains in flux. As a result of the rising world market prices, the import quota of 0.4 million tonnes granted by the EU Commission remained unutilized during the period under review. The high prices and scarce resources for starch sweetener products also resulted in less competition here than in prior years. Südzucker Group was thus able to expand its market share. In many cases the major non-food industry customers have their production facilities close to sugar factories, which facilitates logistics.

Long-term logistics strategy to optimize freight costs

Rising oil prices are leading to higher prices for shipments by truck, railways and ships. Südzucker Group is well positioned to counter such developments. One thing that helps is the long-term logistics strategy of keeping transportation prices largely stable. Another thing is the partnership with the Mauritius Sugar Syndicate, which offers significant potential to optimize freight costs. During the financial year just ended, Südzucker Group shipped sugar from Mauritius to all the deficit countries the group services. In addition, the entire logistics process, from receipt of containers in countless European harbors to the delivery to end customers, is continuously being optimized, which should lead to a further optimization and freight cost savings in the future.

Volume development by country

Germany | Südzucker Group was able to increase total sugar volume 4.9 % in its largest market during the financial year just ended. Quota sugar volume contributed to the increase, rising 3.7 %. The sugar processing industry bought 4 % more than the year prior. Even with specialty products such as organic sugar the high world market prices caused organic beet sugar to become more competitive than organic raw sugar. Shipments to food retailers were also 2.5 % higher than the year prior. Non-quota sugar volumes to the non-food industry rose 10.5 %.

Belgium | Volume in Belgium was up 3.6 %. A 13.6 % increase in quota sugar volumes contributed substantially to this growth. Shipments to the sugar processing industry rose 14.2 %, while retail volumes were up 9.5 %. The volume of non-quota sugar dropped 47.2 %, mainly because of the significantly reduced deliveries to Belgium's ethanol industry.

Bosnia | AGRANA Bosnia nearly doubled its sugar volume. The factory's capacity utilization was excellent.

Great Britain | Südzucker Group's subsidiary Flemings established an excellent market position in Great Britain during the financial year just ended. Quota sugar volume was 29.7 % higher than the year prior.

France | The total volume in France was up 9.7 % from the year prior. Quota sugar volume rose 3.3 %. The company was able to grow its market share in the sugar processing industry: volume was up 6 %. In contrast, shipments to food retailers were down 2.3 %. Non-quota sugar shipments rose by one-third.

Greece | Südzucker's distributor Hellas was able to capture a significant market share in Greece. Volume was only slightly below the prior year's level.

Italy | Our joint venture partner Maxi was able to increase volume in the Group's second largest market by 10.7 % in comparison to the year prior.

Moldova | Südzucker Moldova's total volume dropped 9.8 % due to unavailability.

Austria | The total volume reported by Austria was 4.3 % higher than the year prior. Quota sugar volumes advanced 2.8 %. Deliveries to the sugar processing industry were higher. Non-quota sugar volumes to the non-food industry rose 24.1 %. There were no imports from non-EU countries.

Poland | Poland's sugar shipments were down 11.6 % from the year prior because of lack of availability in summer 2010. Volumes to the sugar processing industry declined 14.3 % and retail shipments were down 7.6 %.

Romania | Volume in Romania was a down 12.5 % in total. Shipments to the sugar processing industry declined 7.9 % and retail shipments were down 15.1 % because of the very difficult situation in the retail sector, where imports from Serbia, Croatia and Hungary are now entering the market.

Slovakia I Volume in Slovakia was up 2.1 % in total. Quota sugar volume growth was particularly good.

Spain/Portugal I The group's sales here were 58.8 % higher than in the year prior. Quota sugar volume via Südzucker Iberica rose 44.1 %.

Czech Republic I Volume in the Czech Republic was up 11.4 % from the year prior. While shipments to the sugar processing industry jumped 25.3 %, retail shipments fell 12.6 %.

Hungary I The total volume in Hungary was slightly less than the year prior. Quota sugar volume declined 2.7 % due to lower shipments to food retailers. Non-quota sugar volumes rose 19.1 %.

Other EU countries I Südzucker Group has a good market position in a number of smaller European countries, such as Holland, Luxembourg, Malta, Cyprus and the Baltic nations. Scandinavia is another one of these markets.

Agriculture/commodity markets

In addition to managing the agricultural operations in Germany, the agricultural/commodity market division is mainly responsible for testing enhanced farming, production and cultivation methods. Additional key tasks are establishing farming operations in Moldova, Chile and Poland, analyzing commodity markets and developing concepts to secure raw material deliveries.

During the financial year just ended, the German operations were able to deliver excellent volumes of grain, but the quality was sometimes poor. The commodities from the 2010 harvest were quickly sold due to sharply rising prices. Substantial volumes from the 2011 and 2012 harvests have also already been sold due to the continuing high price level of grain and oil seeds. Weather conditions for the sugar beet harvest were favorable and, overall, the sugar yield was above average.

The new specifications with respect to the biofuel sustainability law were met for all raw materials produced.

Work on expanding and supervising the large-scale agricultural operation in Moldova continues and shows promise. The takeover of another agricultural operation by Südzucker Polska was strongly supported in Poland.

The volatility of grain and oilseed markets made it necessary to monitor the markets closely, which ultimately the company was able to take advantage of to optimally sell its own products.

Animal feed

Molasses pulp and molasses pulp pellets | Because inventories throughout the world were comfortable and international harvests were excellent, grain prices stayed low until the end of July 2010. However, subsequent factors throughout the world, especially weather-related, such as extreme heat in Eastern Europe combined with catastrophic fires in Russia and persistent rain in Western Europe, led to sharply rising grain prices, a trend that continued to the end of the financial year.

The situation in the market for molasses pulp pellets was similar to that in the grain market. The group's pellet producing operations in countries throughout the world were thus able to benefit from higher market prices when they signed new contracts.

Beet molasses | At the beginning of the financial year, market prices slumped dramatically because of the excessive supply of unsold molasses. Aside from the record beet harvest in 2009, which resulted in higher molasses production, this was caused by the closure of a major molasses processing alcohol factory in the Netherlands and significantly lower market demand from the citric acid industry. This also had a negative impact on the first contracts that were signed.

The market then stabilized last fall. The reason is the higher grain prices, which caused molasses to become a viable ingredient for the mixed feed industry again, and the strong demand from the bioethanol and alcohol industry.

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.

Results of humus analyses show sustainable economic benefits for sugar beets cultivation

Cross-compliance regulations came into force in Germany on January 1, 2005. Among other things, the EU specifications require that organic soil ingredients be maintained and the soil structure protected. This can be demonstrated by analyzing the humus content in agricultural soils. The Bodengesundheitsdienst offers such services. For example, in 1996 more than 42,000 fields were examined and the data analyzed.

By comparing the humus results from tests of the farming operations between 1996 and 1998 with those from 2006 to 2008, researchers were able to demonstrate that the humus content in the typical sugar beet crop rotations was stable; that is, there was no deterioration of organic soil ingredients.

The humus balance gives farmers important information regarding fertilization and crop rotation, enabling them to optimize the use of their fields.


WICK
Atemfrei
Extra
Airwaves
B.EN
NEW!
Fiber Plus
frubiase
SPORT
Ausdauer
Die kleinen sanften Helfer!
Pulmoll
Zitrone
The art of functional enjoyment.
In art, an assemblage can be a three-dimensional collage where unexpected objects combine to offer completely new sensual associations. So what artistic form could better demonstrate the diversity and number of functional food-products in which BENEO additives are applied?

Special products segment

Business performance

The special products segment is comprised of the BENEO (BENEO-Orafti/BENEO-Palatinit/BENEO-Remy), Freiberger, PortionPack Europe divisions, as well as AGRANA's starch and bioethanol businesses.

Because the special products segment has such a large number of diverse divisions, we cover the economic environment, general conditions and market developments under the individual divisional reports.

Special products segment business performance

		2010/11	2009/10	+/- in %
Revenues	€ million	**1,575**	**1,396**	**12.8**
EBITDA	€ million	**218**	**209**	**4.2**
Depreciation on fixed assets and intangible assets	€ million	-74	-71	3.4
Operating profit	€ million	**144**	**138**	**4.6**
Restructuring/ special items	€ million	-6	12	-
Income from operations	€ million	**138**	**150**	**-8.0**
EBITDA margin	%	13.8	14.9	
Operating margin	%	9.1	9.8	
ROCE	%	10.8	10.5	
Investments in fixed assets	€ million	67	50	33.8
Investments in financial assets	€ million	1	8	-88.4
Total investments	€ million	**68**	**58**	**16.5**
Employees		4,259	4,262	-0.1

Revenues | The special products segment was able to boost revenues by 13 % to € 1,575 (1,396) million. This was mainly driven by the strong volume growth in all divisions. In addition, the divisions impacted by higher commodity prices were able to generate higher sales revenues over the course of the year.

Operating profit | The special products segment's operating profit of € 144 (138) million in 2010/11 was again higher than the already excellent result generated the year prior. The starch division and bioethanol plant operators in Pischelsdorf, Austria have so far been able to offset higher commodity costs by generating higher sales revenues. Furthermore, profits were also higher thanks to a significant volume increase. PortionPack Europe grew in a difficult market environment. Due to cost increases, the BENEO and Freiberger divisions' operating profit was the same as the year prior despite higher volumes.

Performance of the companies

BENEO

BENEO, which is made up of BENEO-Orafti, BENEO-Palatinit and BENEO-Remy, manufactures and sells ingredients made from natural raw materials that have dietary and technological benefits in food and animal feed and are also used for pharmaceutical and non-food applications. The company employs about 900 persons at the production facilities in Belgium, Chile, Germany and Italy. The product portfolio includes the functional ingredients inulin and oligofructose, made from chicory root, and the functional carbohydrates isomalt, Palatinose™, and galenIQ™, which are extracted from sugar beets, and food additives made from rice, such as rice flours, rice starches and rice proteins. The product portfolio also includes wheat gluten.

In fiscal 2010/11, BENEO was able to recover substantially from the revenue drop experienced by the company in 2009/10 due to the economic crisis. Growth was reported in most sales territories, particularly in Asia and the United States. A slight increase in the tendency of consumers to purchase on impulse and choose premium foods had a positive impact.

The harmonization of health-related claims in accordance with the "European Health Claims Regulation", which has been in effect since 2007, is proving to be a lengthy and very complex process, which leaves many issues unresolved for manufacturers of premium products. This is also reflected in a decline in the launch of new functional food products that have better nutritional value. BENEO is thus in continuous discussion with all participating parties and at the same time continues to invest in scientific nutritional studies, in order to be able to make appropriate claims about its products and grow its own market position.

BENEO helps its customers with all regulatory, dietary and market research issues connected with developing and introducing innovative functional products. BENEO focuses mainly on baby food, baked goods, cereals, beverages, dairy products and confectionery applications.

Products and markets

A preference for food that is rich in fibers and the topic of "healthy digestion" continue to rank among the top ten food trends in 2011. Inulin and oligofructose are suitable for manufacturing balanced foods. They can be used as a replacement for sugars and fats, thus reducing calorie intake, without negatively impacting the taste or texture of the products. The BENEO label also helps customers with consumer communications. Manufacturers are thus increasingly using inulin and oligofructose, particularly for dairy products, baked goods and baby food. There have also been excellent results with cereals, because in this area there is a demand for products such as bars or breakfast cereals with added health benefits. Breadmakers are also increasingly using functional ingredients in order to improve the nutritional value of their products.

BENEO added the new product Vital Wheat Gluten to its product portfolio at the end of last year. It has enjoyed a great deal of success since it was launched. Vital Wheat Gluten improves the properties of bread and baked goods. The product is also used as a source of protein in the animal feed sector, mainly for fish food.

Price pressure and increasing consolidation of the customer base in the confectioneries area is making the competitive situation more difficult. Nevertheless, isomalt was able to retain its market leadership in fiscal 2010/11. The main success factors were a stronger focus on customer service, investments in a pilot plant for producing chewing gum and new product developments in the area of alternative sweetening concepts.

The isomalt variant galenIQ™, which serves as a transmitter medium in the pharmaceuticals industry, is now also being used for over-the-counter medications. It had previously been applied only in prescription drugs.

BENEO's extensive expertise in the area of agglomeration processes enables it to develop and manufacture a series of custom tailored sweeteners from natural raw materials. BENEO uses its own products as well as other manufacturers' ingredients for these applications.

Palatinose™ sales numbers are very encouraging, especially in the United States, but also in Europe and Asia. Consumer research, scientific nutritional studies, application technology and the topic of health claims all play important roles in being able to present to the market the unique features of Palatinose™ in a challenging regulatory environment. Palatinose™ is the only fully digestible, tooth-friendly carbohydrate that has a low glycemic index and is able to supply the body with long-lasting energy in the form of glucose.

There is currently a strong demand for rice derivatives. This is due to their technological versatility, the growing market for dairy substitutes and the trend toward natural products. A further competitive advantage is the development of custom blends. In addition, properties such as clean label, gluten-free, lactose-free and allergen-free meet the expectations of a growing group of consumers. Manufacturers of baby food, one of the most sensitive foodstuff areas of all, are also very interested in rice-based ingredients.

Production

The company pressed ahead with investments in quality improvements and long-term process optimization at Oreye, the inulin and oligofructose manufacturing facility in Belgium. This process will continue over the next few years. Numerous successful customer audits have confirmed the high IFS[1] classification. In addition, the factory has been approved to supply ingredients for baby food by a multinational food conglomerate.

The inulin and oligofructose production facility in Pemuco, Chile, received its first IFS certification and had an outstanding result right from the start. The damage from the earthquake in February 2010 was completely repaired by the start of the 2011 campaign.

Quality was further improved at the Offstein factory, where isomalt, Palatinose™ and galenIQ™ are produced. The manufacturing standards were optimized at the same time in light of a growing customer base.

The existing production capacities for rice derivatives at the manufacturing facility in Wijgmaal, Belgium were heavily loaded.

Freiberger

Freiberger Group is the specialist for chilled and frozen pizzas, as well as frozen pasta dishes and snacks and focuses on the private label business. The company, which produces custom concepts and products for business partners in the food retail, wholesale and catering sectors, is a former national pizza delivery baker that has become Europe's leading supplier of such goods in just thirty years.

[1] International Food Safety.

A consistent, strong customer focus, innovative products, top quality and reliable distribution together with a steadily growing range of products, which includes specialties for seasonal, regional and ethnic requirements in addition to traditional recipes, have enabled Freiberger to stay ahead of its competitors and keep on the growth track it has been on for a number of years.

The newly designed British production location in Westhoughton was successfully started up halfway through last year and is helping to strengthen the company's position in the European market, which continues to grow nonstop. Markets in Europe, Asia and the United Arab Emirates are served via distribution centers in Germany, Austria, France, Great Britain, Poland, Russia and China. A distribution center in the United States was established in the fourth quarter of the financial year. The aim is to penetrate the world's largest market for pizza and continue to press ahead with internationalization.

PortionPack Europe

PortionPack Europe Group specializes in developing, packaging and marketing portion-sized articles. The division has earned a leading position in Europe in this sector. PortionPack Europe supplies customers in the core hotel, restaurants and bars as well as catering sectors directly or indirectly via wholesalers, coffee roasters and other partners with a wide assortment of portion packs, from traditional sugar packets to baked goods, chocolate, spices and sandwich spreads.

The first-time full consolidation of the British market leader for portion-sized articles, Single Source Limited, had a positive impact on PortionPack Europe Group in the financial year just ended. The division took a further step towards growth in early June 2010 when it acquired the Dutch chocolate manufacturer Union Edel Chocolade. Overall, PortionPack Europe Group also grew organically, although the market for portion-sized articles in Europe was still suffering from the effects of the economic crisis, especially in the first half of the financial year just ended. The division expects strong market growth in Europe in the coming years.

Starch

The starch division operates the potato starch factory in Gmünd, Austria, the cornstarch factory in Aschach, Austria, as well as managing and coordinating the international companies in Hungary and Romania in which Südzucker holds an interest, and the bioethanol production plants in Austria and Hungary.

Overall, the starch division can look back on a successful business year. Volumes were higher in the first half of 2010/11. As a result, the lower average selling prices than the year prior were more than offset. Higher commodity costs as of late summer were offset by adjusting selling prices in the second half of 2010/11. For bioethanol, the volume of ethanol and by-products sold rose and market prices were also higher.

In November 2010, the EU Commission made an announcement regarding reforms to the common agricultural policy after 2014. It does not exclude the possibility of voluntary copayments at the national level for various production sectors. This raises the possibility of a reintroduction of direct payments coupled to production for starch potatoes starting in 2014.

The EU's total isoglucose quota for the 2010/11 marketing year was about 690,000 tonnes. Hungrana's isoglucose quota is 220,000 tonnes, the largest in Europe.

Commodities | Both global wheat and corn inventories declined, but continue to be high enough to satisfy demand. The EU's total grain production was also significantly less than the year prior. The tight supply situation both in the European Union and worldwide drove commodity futures higher on the Paris commodity markets. Forecasts for the 2011 harvest (2011/12 grain marketing year) in the EU predict an increase in grain production of about 5 %.

Cornstarch | The total volume of corn processed at the AGRANA starch factories in fiscal 2010/11, including Hungrana's 50 % share, rose to about 724,000 (647,000) tonnes. About 188,700 (182,400) tonnes of this amount was moist corn from the new harvest.

Potato starch | The Austrian starch factory in Gmünd converted about 186,300 (187,400) tonnes of industrial starch potatoes into about 40,100 (40,200) tonnes of potato starch during the 2010 campaign. The organic share based on the input quantity was about 3.2 (2.7) %. A quota of 47,691 tonnes of potato starch is available for the 2011 season. Contracts were signed with farmers for this amount. About 4,600 tonnes of potato staple products were produced from about 26,000 tonnes of food industry potatoes. The organic share was about 25 (22) %.

Starch Austria | Higher sales volumes of native starches, sweeteners and retail goods, as well as by-products sold by AGRANA Bioethanol GmbH's animal feed department, were the main reason volume increased to 1.18 (1.03) million tonnes. Prices were also higher overall.

Starch Hungary | The sales volume in Hungary rose to 0.50 (0.42) million tonnes. The increase was driven by higher volumes of the main and by-products, particularly in the isoglucose area. The higher sales volumes more than offset the commodity price increases and the slightly lower selling prices.

Starch Romania | Higher volumes of the main and by-products and higher selling prices for native starches and by-products offset lower selling prices for sweeteners by a considerable margin. However, higher commodity costs had a negative impact. To date, these have not been completely compensated by higher sales volumes and higher selling prices.

Bioethanol | AGRANA operates a bioethanol plant in Pischelsdorf, Austria. In addition, it holds a 50 % stake in Hungrana, which operates a combined starch and bioethanol production plant in Szabadegyháza, Hungary. The total bioethanol production capacity for the two plants is over 400,000 m^3. In Austria, up to 190,000 tonnes of high-quality protein-based ActiProt® animal feed are produced annually in addition to bioethanol. Bioethanol volume rose about 12,900 m^3 to 306,800 m^3. The company was able to raise selling prices for bioethanol as well as ActiProt® above the prior year's level.

After receiving ISCC (International Sustainability & Carbon Certification) certification, the factory in Pischelsdorf established the basis for supplying the European market with sustainable bioethanol starting January 1, 2011.

CropEnergies segment[1]

Economic environment, general conditions

The EU's comprehensive climate and energy legislation is currently being implemented. By 2020, the member states must ensure, among other things, that 10 % of the energy consumed by the transportation sector is from renewable sources. Member states were obliged to enact the extensive legislative package in national law by December 5, 2010. Each member state was obliged to submit a national action plan to the EU Commission by June 30, 2010, which was to include both the steps that would be taken to achieve the goals and intermediate targets. The published action plans make it clear that the EU bioethanol market has significant growth potential. If these initiatives are fully implemented, the market demand will be about 15 million m^3 of bioethanol by 2020, nearly three times what it was in 2010. The German government plans to reach the EU's target of 10 % renewable energies in the transportation sector by 2020 on the basis of existing laws.

Sustainability criteria are a key component of the package. Only products that generate, among other things, at least 35 % by weight lower greenhouse gas emissions than fossil fuels, rising to 50 % by weight by 2017, are considered valid biofuels. New biofuel plants built after 2017 will have to demonstrate that they cut greenhouse gas emissions by at least 60 % by weight. Furthermore, biofuels must comply with environmental and social standards in addition to reducing greenhouse gases by a minimum amount. In June 2010, the EU Commission provided member states with an implementation guideline that includes transitional regulations for handling the sustainability criteria for raw materials from the 2010 harvest. However, it is difficult to implement these criteria consistently because there is currently no valid EU-wide certification system. The progress individual EU member states are making on implementation thus differs widely. Germany and Austria were the only EU member states to implement the specifications on time. Other EU member states are expected to establish compliant verification systems over the course of the first half of 2011.

Further clarification is still required regarding consideration of indirect land-use changes (iLUC). However, due to the extreme uncertainty of the calculations associated with the models, the EU Commission has announced that it will review potential ways to handle the issue in a follow-up meeting and present the results no later than July 2011. Based on these outcomes, the EU Commission may recommend legislative measures to supplement the renewable energy guidelines, about which the European Council and European Parliament will have to reach a decision by the end of 2012.

The EU established a practical framework for introducing E10 fuel throughout the European Union when it amended the fuel quality directive; that is, a blend of 10 % by volume of bioethanol to gasoline is required.

Legislation was introduced in Germany to raise the upper limit for blending ethanol with gasoline to 10 % by volume effective January 1, 2011. Since then, E10 has also been introduced in Germany.

In Germany, the biofuel sustainability regulation (Biokraft-NachV) ties the promotion of biofuels through biofuel quota obligations and tax relief for clean fuels (E85, B100) to compliance with certain sustainability stipulations as of the 2010 harvest. Independent certification authorities and offices, which will be recognized and managed by Germany's Federal Agency for Agriculture and Food (BLE), will conduct audits to verify that biofuels are being produced sustainably. This will be documented as of January 1, 2011 on the basis of certification systems; for example, the REDcert certification system developed by the agricultural and biofuel industries' associations.

Market developments

World market and EU | In 2010, 15 % more bioethanol was produced worldwide than the year prior. The amount was 104.0 (90.1) million m^3. Of this total, 85.0 (72.9) million m^3, or 82 %, was destined for the fuel sector. Initial estimates predict that bioethanol production will rise to 108.3 million m^3 in 2011. The majority of the growth is expected in the EU.

The United States further expanded its position as the world's largest producer of bioethanol when it raised production by 22 % to 51.5 (42.2) million m^3. In Brazil, production expansion in 2010 was below average, rising only 7 % to 28.0 (26.1) million m^3, because Brazilian suppliers converted as much as possible of the cane sugar harvested to sugar to take advantage of the high sugar prices.

[1] Further details can be found in CropEnergies AG's current 2010/11 annual report.

In the EU, ethanol production was up 15 % to 6.4 (5.6) million m^3. This rise is in line with the global trend and is based on the increased use of bioethanol as a fuel. Of the total, 4.3 million m^3 or 66 % of the bioethanol produced was destined for the EU. The higher volumes came mainly from new large-scale plants started up in the Netherlands and Great Britain. Other countries, including Belgium, Germany and France, also produced greater volumes. Market analysts are expecting total production of about 7.1 million m^3 of bioethanol in the EU in 2011.

EU bioethanol volume balance[1]

million m^3	2011	2010	2009
Opening balance	**1.9**	**2.1**	**1.6**
Production	7.1	6.4	5.6
Import	1.9	1.5	1.7
Consumption	8.9	8.0	6.7
Export	0.1	0.1	0.1
Closing balance	**1.9**	**1.9**	**2.1**

[1] Source: F. O. Licht, April 2011 (2011 estimated)

Bioethanol prices in Europe rose amid high volatility from about € 500/m^3 at the beginning of March 2010 to € 650/m^3 FOB Rotterdam at the end of February 2011. Prices ranged between € 430/m^3 in mid-April 2010 and about € 655/m^3 in mid-September 2010. This price increase was driven by higher commodity costs, plus more and more blending of bioethanol in the European fuel sector accompanied by moderate imports.

Commodities | The US Department of Agriculture (USDA) lowered its harvest forecast for the 2010/11 grain marketing year during the course of the year; however, it still expects an excellent global supply situation for grain based on the existing inventories. For the 2010/11 harvest, the Department is expecting global grain production (excluding rice) of 1,731 million tonnes, and slightly higher consumption of 1,788 million tonnes. The harvest of 275 million tonnes in the EU during the 2010/11 grain marketing year nearly matched total consumption of 273 million tonnes, despite the harvest shortfalls due to dry weather in June and July 2010. Only 3 % of the EU grain harvest, or 9.1 million tonnes of grain, were used to produce bioethanol.

Prices remained relatively constant at about € 130/t in the first quarter of 2010/11, but then wheat prices rose noticeably on the NYSE Euronext in Paris due to the reduced harvest forecasts and weather-related lower quality and were being quoted at € 257.50/t on February 28, 2011.

An above average grain harvest of about 285 million tonnes is being forecast for the EU for the 2011/12 grain marketing year.

Business performance

The CropEnergies segment is responsible for the bioethanol business in Germany, Belgium and France. The company is a leading producer of sustainably produced bioethanol in Europe and is capable of producing over 700,000 m^3 of bioethanol and over 500,000 tonnes of food and animal feed annually.

The company started up a plant to purify and liquefy biogenic CO_2 in Zeitz during the 2010/11 financial year, which is capable of producing 100,000 tonnes annually. This product is also usable in the food industry. The facility is operated by a joint venture company owned by CropEnergies and Tyczka Energie GmbH.

CropEnergies segment business performance

		2010/11	2009/10	+/- in %
Revenues	€ million	**437**	**362**	**20.9**
EBITDA	€ million	**76**	**33**	**> 100**
Depreciation on fixed assets and intangible assets	€ million	-30	-21	43.2
Operating profit	€ million	**46**	**12**	**> 100**
Restructuring/ special items	€ million	1	-2	-
Income from operations	€ million	**47**	**10**	**> 100**
EBITDA margin	%	17.4	9.2	
Operating margin	%	10.5	3.3	
ROCE	%	8.7	2.3	
Investments in fixed assets	€ million	21	34	-36.0
Investments in financial assets	€ million	0	0	-
Total investments	€ million	**21**	**34**	**-36.0**
Employees		303	302	0.3

Revenues | In 2010/11, CropEnergies was able to extend its business growth momentum and significantly improve revenues to € 437 (362) million. A major contributor to this growth was the expansion of sales of bioethanol and the associated by-products.

Operating profit | The CropEnergies segment's operating profit almost quadrupled to € 46 (12) million, driven by the marked increase in capacity utilization with the resulting higher productivity of the bioethanol plant in Wanze and the improved by-product sales revenues. Because the business unit bought futures contracts early and optimized its use of raw materials, the price increases in the grain markets did not have a major impact on operating profit.

Commodities | CropEnergies was able to take advantage of the flexibility of its production systems and match the input materials it utilized to commodity market conditions. CropEnergies Group's procurement management for the Zeitz and Wanze facilities was focused on purchasing the required raw materials from locations near the plant and on minimizing freight costs. CropEnergies uses fixed-price contracts supplemented by derivative financial instruments to mitigate the price risk for grain. The availability of sugar syrup is partially secured by long-term supply contracts. CropEnergies worked intensively with raw material suppliers to implement the biofuel sustainability regulation (Biokraft-NachV) in Germany in order to ensure that its factories would be supplied with biomass certified to be sustainable.

Production | In fiscal 2010/11, CropEnergies was able to boost bioethanol production by 14 % to 687,000 (603,000) m^3, mainly because of the improved loading of the production facility in Wanze. As a result, the volume of dried food ingredients and protein-based animal feed produced also increased by 13 % to 303,000 (269,000) tonnes. Other by-products included liquid protein-based animal feed.

In spite of maintenance inspections in Zeitz in the first quarter of 2010/11, which are conducted every five years, the plant was able to further increase its production of bioethanol and ProtiGrain®. CropEnergies further boosted capacity utilization at the bioethanol plant in Wanze. In October 2010, the bioethanol facilities in Zeitz and Wanze were certified by DQS GmbH Deutsche Gesellschaft zur Zertifizierung von Managementsystemen, Frankfurt, Main, to be in compliance with the REDcert certification system. Bioethanol produced at these locations therefore meets all requirements of Germany's biofuel sustainability law (Biokraft-NachV).

Bioethanol volumes | As a result of the higher production volumes, CropEnergies' sales volume of bioethanol also rose 17 % in fiscal 2010/11 to 705,000 (601,000) m^3. Purchasers include both large and medium-size petroleum companies, as well as independent ETBE producers in Germany and abroad. CropEnergies continues to concentrate on destinations within the EU, for which freight charges are low due to the logistics network established by the company.

Major sales initiatives included fast and timely implementation of the biofuel sustainability law (Biokraft-NachV) and delivery of certified bioethanol for the launch of E10 in Germany, development of the Belgian bioethanol market and strengthening the Eastern European market position.

CropEnergies further expanded its leading German market share of E85, a bioethanol-gasoline blend for flexible fuel vehicles, and shipped 70 % more CropPower85. At the present time, about 30 % of the E85 gas stations in Germany sell CropPower85.

CropEnergies sold high-quality products for conventional and technical applications to famous companies in the beverages, cosmetics, pharmaceuticals and chemical industries via Ryssen Alcools SAS. The severe winter in Europe generated significant demand for alcohol to produce frost resistant windshield wiper fluids.

Food and animal feed volumes | CropEnergies Group's product portfolio includes the dried, palletized protein-based animal feed ProtiGrain®, the liquid protein-based animal feed ProtiWanze® and gluten.

ProtiGrain® is a fixed part of Europe's quality-focused animal feed industry and generated attractive sales revenues as the price of crushed oil seed rose. The main markets are the major animal feed markets in Germany, the Netherlands, France, Great Britain and Denmark.

CropEnergies produces and markets the by-products gluten and CDS (condensed distillers' solubles) at its Wanze facility. Gluten, which is used especially in the food industry and in certain animal feeds, is sold by BENEO.

CDS, a high-protein liquid animal feed for cattle and pigs, is sold under the trade name ProtiWanze® and has established a successful market position. Farmers with livestock prefer the premium quality and high competitiveness of ProtiWanze® compared to crushed soybeans and other protein-rich animal feeds.

Fruit segment

Economic environment, general conditions

In calendar 2010, growth rates in the European market for fruit preparations were higher than in the 2008 and 2009 crisis years, in some cases dramatically. Growth in the first half of 2010 was driven by the introduction of new product varieties, line extensions and advertising in the dairy industry. The market growth slowed significantly in the second half of calendar 2010. Towards the end of the year, consumer sentiment in a number of European countries came under negative pressure due to budget deficits, austerity measures and tax hikes. In Eastern Europe, per capita consumption continues to be far below the European average, but Russia especially was able to do some catching up and reported double-digit growth. Growth was also above average in the markets outside Europe in which per capita consumption is below the European average, including the United States, Brazil and China. The key consumer trends continue to be health, convenience and enjoyment, although following the crisis, a greater emphasis is being placed on natural products, sustainability and local sourcing.

In the concentrates business, fruit drinks with low juice concentrations and beverages with lower calories and thus lower fruit juice concentrations continue to gain market share. The price pressure in the private label business intensified again in fall 2010, because concentrate price increases from bottlers could only be partially passed on to the downstream resellers.

World market prices for all concentrates rose substantially starting in spring 2010. In Europe, the harvest yields in 2010 were significantly below those of prior years due to bad weather and reduced field maintenance because of the low commodity prices in 2008 and 2009.

In China, demand for all types of fresh fruit rose dramatically in the past three years, which resulted in considerable shortages of fruit for concentrate processing. The residual inventories from the 2007 and 2008 harvest were used up in fall 2010, so that the lower harvest yield contributed to the rising prices.

Volumes in the Commonwealth of Independent States recovered after the crisis and growth was just short of the double-digit range. The trend to cheaper beverages with lower juice concentration was also seen in these countries.

Business performance

AGRANA indirectly owns all shares of the fruit segment via AGRANA J&F Holding GmbH. Two divisional holding companies, AGRANA Fruit S.A.S., Mitry-Mory, France (fruit preparations) and AGRANA Juice Holding GmbH, Gleisdorf, Austria (fruit juice concentrates), coordinate and manage the business operations.

In fiscal 2010/11, AGRANA further expanded the customer base and penetrated new markets, with the aim of reducing the dependence on the highly competitive Central and Western European markets and thus be better able to balance fluctuating prices.

Despite the difficult commodity situation, the company was able to secure the absolutely necessary raw materials and concentrate volumes to cover customer orders by carefully aligning its purchasing strategies in the respective countries at an early stage.

By the end of 2009, all European production locations had been successfully reorganized. The business unit further improved its competitiveness by optimizing production costs. It has been working intensively on optimizing logistics and administration processes since spring 2010.

Fruit segment business performance

		2010/11	2009/10	+/- in %
Revenues	€ million	**870**	**806**	**7.9**
EBITDA	€ million	**82**	**72**	**13.9**
Depreciation on fixed assets and intangible assets	€ million	-35	-36	-3.1
Operating profit	€ million	**47**	**36**	**31.3**
Restructuring/ special items	€ million	0	-4	-
Income from operations	€ million	**47**	**32**	**45.0**
EBITDA margin	%	9.4	8.9	
Operating margin	%	5.4	4.4	
ROCE	%	6.7	5.5	
Investments in fixed assets	€ million	31	26	18.1
Investments in financial assets	€ million	0	0	-
Total investments	€ million	**31**	**26**	**18.1**
Employees		5,118	4,711	8.6

Revenues | The fruit segment's revenues rose 8 % to € 870 (806) million. This increase was driven by both greater volumes for fruit preparations and higher sales revenues for fruit concentrates due to commodity price increases.

Operating profit | The fruit segment's operating profit again rose sharply, to € 47 (36) million. This growth is mainly due to volume growth for fruit preparations, but also higher sales revenues for fruit juice concentrates due to higher commodity prices.

Performance of the companies

AGRANA Fruit | AGRANA is the world's leading producer of fruit preparations for the dairy, baked goods and ice cream industries, with a global market share of about one-third. AGRANA currently has 25 production locations for fruit preparations in 19 countries. The company plans to open a production location in Qalyoubia, Egypt at the end of May 2011. Here AGRANA has a majority interest of 51 % in a joint venture formed with the Egyptian company Nile Fruits.

Both revenues and operating profit were again higher. The growth was driven in part by higher volumes; the regions of Eastern Europe, Asia and North and South America, which have significant catching up to do in per capita consumption of fruit yogurt, reported above average expansion. Efficiency improvements and positive currency exchange rate impacts in the United States and a number of Asian countries were further contributing factors. The company was able to pass on most of the commodity price increases from the second half of 2010/11 to the market.

The summer harvest yields in Europe and Asia were below average due to unfavorable weather conditions. Together with the increased demand in Europe, the United States and Asia, this led to sensitive price increases for nearly all fruits. Cherries, blueberries, strawberries and pineapple were particularly hard hit. The prices of commodities from the 2010/11 winter harvests in Mexico, Chile and Argentina remained high, unchanged from the previous summer harvest. This relates mainly to strawberries and blackberries. Due to the significantly higher demand, especially from Eastern Europe and Asia, and relatively low inventories, a further price increase for fruits is generally expected. The first contracts signed for the 2011/12 financial year for strawberries and tropical fruits were the leading indicators of this trend.

In the area of fruit preparations for the dairy industry, the company reported volume growth of 4.8 % and slightly higher market share in financial 2010/11. Almost all foreign subsidiaries and regions were able to expand their volumes. Stronger exports led to double digit growth rates in the emerging markets, as well as in Germany. Efforts to diversify outside the core business with the dairy industry are also beginning to bear fruit; volume growth for the ice cream and baked goods industries is above average.

AGRANA Juice | AGRANA is one of the leading producers of apple and berry juice concentrates in Europe, with ten European production locations. Since 2008, AGRANA has been operating two apple juice concentrate facilities together with Yantai North Andre in China, in the largest apple farming region in the world. Since February 2011, negotiations have been underway to dissolve the joint venture agreements. The aim is for AGRANA and Yantai North Andre to each take 100 % ownership of one factory.

The main markets for Chinese apple juice concentrate with low acidity are the United States, Russia, Japan and Europe. This apple juice concentrate also serves as a base for fruit juice drinks and is used in many recipes and mixtures. The European concentrate factories mainly produce apple juice concentrates with higher acidity, which is used to produce 100 % pure apple juice and apple spritzers. In addition to processing apples, AGRANA makes berry juice concentrates from berries to sell in the European and international markets.

The European stone fruit and berry fruit harvest yields in 2010/11 for certain fruits were up to 40 % lower than for an average season. Compared to the lows seen in 2009, raw material costs have almost tripled for certain fruits due to the lack of availability. As a result, factory loadings were below average.

The company successfully expanded its business by processing organic apples in Hungary to make concentrates and pure juice.

Despite an excellent apple harvest yielding about 30 million tonnes, the supply of apples in China for industrial processing fell because of a higher demand for fresh apples.

According to estimates, the total volume of apple juice concentrate produced in China in 2010 was 60 % less than it was in 2007, a record year.

In Poland and Denmark, the planned quantities of red berries could not be purchased because of the poor harvest and high commodity costs.

Despite lower harvest yields, the company was able to achieve its budgeted volumes for fruit juice concentrates by purchasing semi-concentrates. In addition, it was able to command higher selling prices in the market due to the higher commodity prices, and was thus able to improve revenues dramatically. AGRANA was able to maintain steady volumes in the major Western European fruit juice concentrate markets (Germany and Great Britain). In the first half of financial 2010/11, deliveries were based on low-priced contracts from the 2009 harvest and as of the fourth quarter of 2010/11, they were based on high-priced contracts from the 2010 harvest. The business unit secured most of its apple juice concentrate production output from the 2010 harvest by already signing annual contracts with major fruit juice bottlers during the campaign. Deliveries from these contracts will continue through to the beginning of the third quarter of 2011/12.

Employees

The average size of Südzucker Group's workforce rose slightly to 17,658 (17,493) in fiscal 2010/11. A decline in the sugar segment was offset by a rise in the fruit segment. The number of employees in the special products and CropEnergies segments remained constant. Split by region, 3,976 (4,022) or about 23 % of the employees work in Germany, 9,079 (9,227) or about 51 % are employed in the remaining EU countries and 4,603 (4,244) or about 26 % of the employees belong to group companies in non-EU European nations and other foreign countries.

Group employees (average for the year)

	2010/11	2009/10	+/- in %
Sugar	7,978	8,218	-2.9
Special products	4,259	4,262	0.1
CropEnergies	303	302	0.3
Fruit	5,118	4,711	8.6
Total	**17,658**	**17,493**	**0.9**

Personnel policies | As a result of the rapid economic recovery and the first signs of the demographic shift, the company has increasingly had to compete in the marketplace for well-educated employees. Fortunately, staff fluctuation levels are low at Südzucker and people stay with the company a long time. Still, we are redoubling our efforts to retain trained employees in the company and improve our attractiveness as an employer in the marketplace. The measures being implemented range from performance-based compensation to intensifying contacts with schools and universities. In addition, we expanded our portfolio of continuing education for employees, whereby the focus was on improving key qualifications.

Integration into Südzucker Group is supported by programs in which employees and managers are exposed to international topics. Improving change management capabilities also plays an important role here. The aim is to exchange knowledge and experience on a broad basis and enable employees and the company itself to move forward.

European Works Council | The European Works Council held its regular annual meeting in July 2010 in Paris. Fourteen members, the executive board of Südzucker and management of the French Südzucker subsidiary Saint Louis Sucre discussed issues that impact the entire company. At Südzucker, the dialogue between the executive board, managers, employee representatives and unions is a cornerstone of the spirit of mutual respect that prevails in the company, which is also reflected in the constructive cooperation practiced daily.

Work safety | Work safety and health protection make a lasting contribution to the company's success and are thus a key focus at all of Südzucker Group's companies. An integrated management system ensures that both managers and employees are required to take responsibility. Countless preventive measures include, among other things, technical and organizational directives that are based on evaluations of the hazards and process safety considerations associated with the work locations. Employees and managers participate in continuing education and training programs regarding existing standards, work procedures and health-related hazards. An example of this is the two-day work safety workshops held in 2010, during which the focus was on proper selection and safe handling of personal protective equipment. More than 75 safety officers and managers from Südzucker's factories were trained in these multiplier workshops.

Employee suggestion program | Countless improvement suggestions were submitted at Südzucker AG, CropEnergies AG and BENEO-Palatinit GmbH and many were awarded payment. This commitment resulted in improved work processes in all segments.

Thank you from the executive board | The employees above all deserve credit for the positive business development of Südzucker Group during the financial year just ended. Even though success was achieved at the end of the financial year, this should not hide the fact that the general conditions were often unfavorable. The difficult beet campaign resulting from the poor weather conditions and strong fluctuations in the agricultural markets were major factors during the financial year. Südzucker Group's employees worked diligently and proactively to address these special challenges. Collectively we were able to exceed our targets. The executive board thanks all employees for their commitment, as well as the employee representatives for their understanding, cooperation and trust.

Investments

In fiscal 2010/11, investments in fixed and intangible assets rose to € 245 (216) million. Of the total, the sugar segment accounted for € 126 (106) million, the special products segment € 67 (50) million, the CropEnergies segment invested € 21 (34) million and the fruit segment € 31 (26) million. The major investments are discussed in the following.

Sugar segment

Germany | The investment focus continued to be on the environment, replacements and optimization, as in prior years. The pellet loading and new cooling tower systems transferred from Groß-Gerau were started up in Ochsenfurt. The by-product centrifugal station in Offenau was started up in time for the syrup campaign. The cleaning hall in Offstein for liquid product tanker trucks, which complies with the latest hygiene standards, will be completed in spring 2011. The used extraction system in Plattling was successfully installed and the evaporator station successfully upgraded. The sugar silo from the closed Regensburg factory is being reinstalled at the Rain factory. Work is progressing as scheduled and is expected to be complete in time for the 2011 campaign. The sugar cooler transferred to the Warburg factory from the Brugelette factory completely meets expectations. The new identification systems in the beet yard and beet laboratory area at the Zeitz factory were started up.

Belgium | Work has started on modernizing the packing station at the Tienen factory and will continue during the current financial year. The beet washing system in Longchamps has been completely upgraded and simplified. Additional improvements are planned to reduce wastewater effluent.

France | SLS continues to focus on the Europac project. Further investments were made in Roye to build a central packing and logistics facility. The sugar drying system in Roye was successfully operated during the 2010 campaign. Work has already started on the boiler station and is expected to be completed in time for the 2011 campaign. A short rotation coppice planting project was implemented in Cagny. This concerns fast-growing pasturage or other fast-growing woody biomass. The excess condensate from the sugar factory is sprayed on these fields.

In Marseille, the bulk sugar loading station was started up at the end of August 2010. The dust collection systems were then upgraded and additional hygiene measures implemented.

Poland | Now that the organizational and process reengineering at Südzucker Polska has been completed, the focus is on expanding and modernizing the existing sites. The main projects were the installation of the extraction system in Ropczyce and a new wastewater treatment system in Strzelin. The factory building in Ropczyce was converted to a sugar storage hall according to plan.

Austria/Slovakia/Hungary | Construction started on a new 70,000 tonnes sugar silo in Tulln, Austria. The new molasses tank in Sered, Slovakia was used for the 2010 campaign as planned. In Kaposvár, Hungary a secondary fermenter was installed for environmental reasons and to improve the efficiency of the biogas system. The biogas system was able to cover about 48 (42) % of the primary energy demand during the beet campaign.

Moldova | The investment projects completed during the 2010/11 financial year were primarily aimed at cutting energy consumption and reducing sugar wastage. The by-product cooling crystallizer erected at the Drochia site for this purpose was successfully started up. A 50-kg valve sack filling station was added to the sugar packing area. The first construction phase of the evaporator station upgrade has been completed at the Falesti factory.

Special products segment

BENEO | In December 2010, work started on a new aerobic wastewater treatment system that is part of an extensive process and wastewater project at BENEO-Orafti in Oreye, Belgium. Commissioning is scheduled for September 2011. Work has started on the foundations for the new raw inulin dissolver.

Work on expanding BENEO-Remy's rice starch production continues to progress. Numerous minor system adjustments were completed and another protein decanter installed in early 2011. In addition, the sifting systems were optimized and installation of a new evaporator with mechanical vapor compression was released.

Palatinose™ market share growth is gratifying. It will now be necessary to review investments and capacity adjustments in the desalination and drying process areas, as well as revamping the product areas for the future integration of Palatinose™ in the viewing and shipping area.

Freiberger | The newly constructed factory in Westhoughton, Great Britain was started up according to plan in September 2010. A new oven and palletizer were installed at the Oberhofen factory in Austria.

PortionPack Europe | The investment focus for the financial year just ended was on site optimization and packing systems modernization.

Starch | The boiler for producing stored potato products at the Gmünd factory in Austria was upgraded to save energy and improve quality. The milling capacity at the Aschach starch factory in Austria was raised to 1,150 tonnes of corn per day. The heat recovered from the animal feed dryer exhaust is improving the system's energy efficiency.

CropEnergies segment

Zeitz | The focus at CropEnergies Bioethanol GmbH in Zeitz, Germany was on investing in replacements and on optimization projects to further improve the energy efficiency and greenhouse gas balance of the bioethanol facility. The largest single investment project in Zeitz entailed building and starting up a plant to cleanse and liquefy CO_2 from the bioethanol production facility. It went into operation in October 2010 after about seven months of construction. Orders from the first customers were already delivered during the test run.

Wanze | Investments in Wanze, Belgium were primarily to improve efficiency and further optimize the plant. Here the focus was on measures to expand production capacity and improve the quality of gluten and bioethanol.

Fruit segment

Fruit preparations | The new shock freezing tunnel in Jacona, Mexico was successfully started up in time for the strawberry harvest, which began in December 2010. The new manufacturing line in Qalyoubia, Egypt was delivered to the factory, but startup was postponed due to the political unrest. The project to build a new warehouse for end products launched in October 2010 in Serpuchov, Russia is proceeding according to schedule. Finished goods and dry goods such as sugar, pectin, etc. can been stored there since the beginning of the 2011/12 financial year. Two lines were equipped with new boilers and the sugar delivery systems for the lines were successfully automated in Botkins, Ohio. The work is part of a project to optimize the transport of raw fruit to the boiler in order to improve productivity. A new dry storage warehouse was built in Turkey to meet quality assurance requirements. A chocolate crispies production line was installed at the Gleisdorf, Austria site. Planning is underway for another one. Initial testing has commenced.

Fruit juice concentrates | The majority of the investments were for replacements. In addition, a pure juice storage tank was built in Hungary and a new juice centrifuge erected in Poland.

Research and development, product safety, quality management

Major projects/overview

Südzucker Group's research, development and technological service activities focus on developing new food ingredients and concepts to successfully establish these in the market, and on developing custom carbohydrate-based product solutions for industrial applications. Improving product quality and production processes, product line extensions, evaluating and implementing new technologies and optimizing energy use are also front and center. This is all done with a special emphasis on meeting sustainability criteria. These activities also support the sales and marketing, procurement and business development departments of Südzucker Group's individual business units.

The work relates to issues connected with agricultural production as well as developments in the various product areas, such as sugar and sugar specialties, functional carbohydrates like isomalt and Palatinose™, inulin and oligofructose, as well as rice-based products, wheat gluten, fruit preparations, fruit juice concentrates, starch and bioethanol.

By allocating responsibilities for individual product families within the group, it is possible to use resources in a targeted fashion and shorten development cycles. Collaborative agreements with research institutes, universities and other companies supplement the group's own work in many areas.

In fiscal 2010/11, the company filed ten patent applications to protect its expertise and strengthen its market position, particularly in the field of functional food ingredients.

The work in the research, development and technical services department is done by 421 (440) employees. The total budget for this departement in 2010/11 was € 35.3 (33.5) million.

An overview of the key projects in the various product areas follows.

Sugar and special products

Process technology | The Centre of Competence Sugar Technology offers development and other services to the factories throughout the entire group. This includes training designed to keep and expand the group's sugar-related expertise.

The fields of activity range from evaluating beet quality to enhancing in-house applications, such as new juice purification processes, as well as basic research into the storage and transportation of white sugar.

Fondant | Newly developed colored and flavored fondant icings are being used internationally for fresh and deep frozen baked goods. The product recipes are being adapted to meet the requirements of customers for "clean labeling" and allergen-free raw materials.

Caramel | Product varieties with new properties, particularly in their taste profiles, are being produced using a new caramel pan that uses an innovative heating process. The new products are currently being introduced to market. The main focus was on baked goods and sweeteners. Customer-specific developments for beverages and special applications for the coffee sector were a further focus of product development activities.

Compri Sugar | Innovative product concepts with specially coated, colored and flavored sugar crystals were developed for everything from confectioneries to pharmaceutical formulas. They were presented at this year's international confectionery trade show in Cologne.

Retail products | New products were introduced both under the Südzucker brand and the private label brands of retailers. Synergies were consistently taken advantage of by transferring product concepts throughout the group.

A new jam sugar recipe was developed for and introduced to the French market. Sugar cube innovations are currently being developed for the Belgian and French markets.

Functional carbohydrates/functional food

It is becoming increasingly evident that the European food safety authority (EFSA) is using medical standards and criteria to evaluate functional foods when it evaluates health-related statements. Claim-related scientific nutritional research and development work was thus further intensified.

Palatinose™ | Scientific nutritional development work included creating an extensive dossier on extending the time blood sugar is supplied using Palatinose™. A wide ranging study showed that even when combined with milk and milk mix products, Palatinose™ ensures that there is a prolonged blood glucose and energy supply.

Other work focused on the effects of Palatinose™ on energy metabolism, particularly in the case of obesity.

Another study proved the benefits of Palatinose™ on mental performance.

Inulin | It was confirmed that the consumption of baby food containing Orafti® Synergy1 is associated with improved bowel regularity and that it does not affect hydration.

To conform to the evaluation criteria used by EFSA, the focus of the scientific nutritional studies is on reinforcing the fiber characteristics of inulin. Scientists throughout the world widely support the importance of intestinal flora to health. Intensive work is thus being conducted on expanding the concept of the importance of normal, balanced intestinal flora to maintaining good health.

Application technology/product and process development

galenIQ™| The excellent sensory characteristics of galenIQ™ were also proven in pharmaceutical application examples. Product concepts were developed and compiled in the form of application related customer data. A process to produce galenIQ™-based starter pellets for capsule filling was developed on a pilot scale; production scale implementation is in the planning stage.

Inulin | The focus of application-specific developments for customers is on optimizing the taste and consistency of foodstuffs, such as dairy products, fruit preparations, baked goods, cereal-based products, bars and meat products.

Isomalt | Product development continues to be focused on using the technological advantages of isomalt in combination with other polyols to produce optimized chewing gum. The new chewing gum pilot system was used as a basis for intensifying cooperation with prospective customers in the international confectionery industry. Sugar-reduced sweets were developed for the US market by incorporating additional functional BENEO ingredients.

Palatinose™ | For Palatinose™, the focus continued to be on beverage applications, but concepts were also developed for confectionary, baked goods and baked good icings. Here it was possible to combine the excellent technological properties with the special physiological properties of Palatinose™. New activities were primarily centered around chewing gum, rubber and jelly products and soft caramels.

For sweets, tooth-friendliness is very important, so a directly compressible Palatinose™ DC that combines the special sensory properties with the concept of tooth friendliness was developed.

Rice starch | Special rice starches were developed to optimize the texture of cheeses and pasty meat products.

Gluten | Gluten, a by-product of bioethanol production at the Wanze factory, was successfully developed as a standalone product and introduced to the food market.

Rice protein | Rice protein, a by-product of rice flour production, can be used in a pre-oxidation stabilized form in food products, in which animal proteins are to be replaced by vegetable proteins. Rice protein is particularly suitable for gluten-free foods. Application examples were prepared and presented to the market.

Technical products | Newly developed labeling adhesives passed initial industrial application tests and were introduced to the market on a broad basis after being further optimized.

New technologies

Bioenergy/biogas | Many potential substrates that can be used to produce biogas exist within Südzucker Group. The topic of biogas thus plays a key role in integrated production concepts; for example, in research alliances and production system studies associated with the "Biorefinery 2021" project conducted for CropEnergies.

Researchers very intensively examined the feasibility of producing biogas from sugar beet pellets and presented its potential for both the agricultural and biogas business. Sugar beets yield a similar amount of biogas as corn and could simultaneously reduce the frequency of the crop rotations required for corn. Based on the experience gathered producing biogas in Kaposvar, Hungary and in-house tests, researchers evaluated the possibility of building a monosubstrate system for beet pellets that would operate year-round. They subsequently presented the business case and demonstrated the feasibility of the process.

Protein | Research and development on vegetable proteins is being intensified because of rising market interest and the excellent availability within Südzucker Group. We are focussing on the production for the animal feed market, and especially applications for food products based on available proteins, such as rice proteins or wheat proteins (gluten).

Bioethanol

Here the focus is on optimizing existing production processes, as well as providing process expertise and implementing new technologies when designing new facilities. When optimizing production processes, we focus especially on sustainability criteria and the potential for savings on the primary energy input side.

Sales related issues are the focus when considering bioethanol applications, especially in connection with fuel and bioethanol qualities, and developing innovative concepts for bioethanol use.

CropEnergies is supported by Germany and Europe in its strategy to standardize ethanol, E10 gasoline and E85 ethanol-based fuel. One focus is on standardizing E10 gasoline, which has been available in the European Union member states since January 2011. In addition, the company prepared the European standard EN 15376, which applies to blending ethanol with E10 type gasoline. Due to participation by CropEnergies representatives, practical test methods have been established, particularly in the latter case.

Research activities into producing bioethanol from plant raw materials containing lignocellulose through fermentative use of hemicellulose are especially interesting. These second-generation concepts, which entail using and recycling all by-products, are being scrutinized intensively within the framework of publicly funded projects.

Researchers also pressed ahead with developing fuel cells that generate electricity from bioethanol. Here the focus was on various reformer processes that would enable electrochemically usable gas to be generated from ethanol. The Fraunhofer Institute, under contract to CropEnergies, intensively examined the practical use of bioethanol in high-temperature fuel cells for the purpose of producing electricity. The company is also supporting a European community basic research project on developing fuel cells that use ethanol directly, which is being conducted jointly by Germany's Fraunhofer Institute and France's Carnot Institute.

Starch

Südzucker Group has successfully gained market share by consistently developing products in cooperation with customers in the area of special starches. Südzucker Group is the market leader in the rice starch and organic starch sectors.

Food | Interdepartmental synergies have enabled Südzucker to optimize new stabilizers for organic products and modified waxy corn starches for the fruit preparation area and successfully position them in the market. Researchers are presently working intensively on a new generation of starch products with an expanded application profile.

Non-Food | Here the research activities focus on starch products for technical applications in the construction, adhesives and paper industry. Südzucker has developed an innovative thickener for emulsion paints and brought it to the stage of market readiness. Highly modified starch products that provide texture and affect the setting characteristics of plaster and tile mortars have also been developed.

There is increasing demand for custom adhesives made from renewable raw materials in the packaging industry. New and excellent performing starch products with greater adhesive strength and stability were developed in cooperation with customers, especially for the paper processing sector. The company applied for a patent for the innovative adhesives, which have considerable potential to be used as a substitute for synthetic adhesives.

A patent application was also submitted for ready-mixed glues based on new modified starches for the high performance bottle labeling segment. Initial success has been achieved with innovative starch products soluble in cold water that can be used to replace latex in paper coating applications.

Product safety

The main task is to ensure that the quality of raw materials, additives, equipment and materials used in the production of the sugar, BENEO and CropEnergies segments' complies with applicable standards.

The department also examined and worked on a large variety of customer-specific issues related to many product safety aspects for all business units. The issues range from environmental contamination, statements on the use and non-use of genetic modified ingredients and allergens, to product-specific microorganisms.

Furthermore, the safety of new product formulations, new Südzucker products and variants as well as retail goods was validated during implementation by working closely with the application technology, process technology, production and business development departments.

Quality management

Südzucker AG uses ISO 9001:2008 as its platform for an efficient quality management system and bases the integration of other standards, such as IFS Food, the quality assurance guidelines of the animal feed industry and the biofuel sustainability regulation (Biokraft-NachV), on this standard's specifications. This policy enabled the company to successfully comply with all certification requirements according to the various standards for the 2010/11 financial year.

Südzucker AG distributes up to 400,000 tonnes of white sugar annually throughout the European Union, which it sources from the Mauritius Sugar Syndicate based on a partnership agreement. Because customers now receive white sugar from both Südzucker Group and from Mauritius, quality specifications were compiled and published in a "Südzucker Quality Expectations Manual" for use by the refineries in Mauritius. These refineries completed the implementation of the requirements in summer 2010.

The BioWanze SA factory in Belgium successfully completed an IFS certification audit for gluten in 2010 and is now able to also market the product for food purposes.

Value based management

Our corporate policies focus on continuously improving shareholder value. Südzucker uses a consistent reporting and budgeting system throughout the group to manage the company. The key management indicators are operating profit and return on capital employed, or ROCE for short. Operating profit is adjusted to remove one time occurrences. ROCE corresponds to operating profit as a percentage of capital employed. Capital employed comprises tangible fixed assets owned by the company, plus acquired goodwill and working capital. It thus corresponds to the capital tied up in the operating business.

Value added Group

		2010/11	2009/10
Operating profit	€ million	**519**	**403**
Capital employed	€ million	5,314	5,374
Return on Capital Employed (ROCE)	%	9.8	7.5

The operating profit improvement to € 519 (403) million translates into a significant improvement in ROCE. It went to 9.8 % from 7.5 % the year prior. Investments in fixed assets totaled € 245 million, less than write-downs, which reduced the capital employed for fixed assets. Since there were no major acquisitions during the 2010/11 financial year, goodwill book values remained virtually unchanged. Together with a slight decline in working capital, capital employed by the group fell to € 5,314 (5,374) million.

Cost of capital | Südzucker calculates the cost of capital for the operational assets as the weighted average cost of equity and debt capital. The cost of equity corresponds to the company-specific return premium investors expect when buying Südzucker shares versus investing in a risk-free instrument. The cost of debt capital is based on the long-term financing conditions imposed upon Südzucker Group and take into consideration the tax deductibility of the interest paid on debt capital (tax shield).

Overall, the cost of capital for 2010/11 for Südzucker Group was around 8.0 (9.2) % before taxes, which corresponds to cost of capital after taxes of 6.0 (6.9) %.

Financial management

Financing strategy | Südzucker's growth is financed by a steady strong cash flow, a stable relationship with the company's various shareholder groups, access to international capital markets and reliable bank relationships. The foundation for the financing is the company's investment grade rating, which secures the company's access to equity and debt capital. Communication with capital markets stakeholders is based on financial transparency. This is established by a reporting system that defines both the company's planning and reporting processes in line with standard valuation and disclosure principles. When making decisions about financing investments, Südzucker has a competitive advantage because of its reliable access to the capital markets. At the same time, we are cognizant of our responsibility toward our investors.

Südzucker uses an optimal mix of financial instruments, taking into consideration terms to maturity and interest rates. These include hybrid capital, convertible bonds, bonds, commercial paper program, promissory notes and syndicated or bilateral bank credit lines. These instruments are normally prepared by the Dutch financing company Südzucker International Finance B.V. and are guaranteed by Südzucker AG. They are used throughout the group. Acquisitions and investments are financed in consideration of the ratios that must be maintained to keep the company's investment grade rating. The unique financing requirements during the fiscal year due to the seasonality of our business (financing beet purchases and inventories) means that securing short-term cash is an important aspect of our financing structure. We achieve this by utilizing a commercial paper program of € 600 million and a syndicated credit line of € 600 million. The group also has access to bilateral bank credit lines.

Südzucker's financing policies are conservative and aim to safeguard the company's profitability, liquidity position and stability. They are accompanied by systematic financial management (cash and liquidity management) and integrated risk management. Our financing policies are based on the following objectives:

- Maintain a strong capital structure through long-term equity financing provided by the supportive shareholder groups
- Use diverse debt capital instruments taking into consideration a balanced term to maturity structure

- Have access to sufficient short-term cash at all times
- Safeguard the company's investment grade rating by adhering to the relevant key indicators
- Manage financial risks using an integrated risk management system

Capital structure and debt | The capital structure is managed based on a long-term outlook and focuses on the factors associated with an investment grade rating. Here Südzucker uses the debt to equity ratio, which reflects the relationship between net financial debt and cash flow.

We use other indicators aside from debt-equity ratio (net financial debt in percent of equity) and equity ratio to manage our capital structure.

In the recent past, extensive extraordinary financing requirements arose as a result of the reform of the European sugar market (among other things, payment of restructuring levies in the amount of about € 1.5 billion). This drove the company's debt to equity ratio from 1.5 to 3.2. Over the past two financial years, the company was able to significantly reduce its debt from € 1.6 billion on February 28, 2009 to € 0.9 billion, which resulted in a debt to equity ratio of 1.4 on February 28, 2011.

€ million	2010/11	2009/10	2008/09	2007/08	2006/07
Debt factor					
Net financial dept	853	1,065	1,632	1,508	811
Cash flow	606	553	504	498	554
Net financial debt to cash flow ratio	1.4	1.9	3.2	3.0	1.5
Debt equity ratio					
Net financial debt	853	1,065	1,632	1,508	811
Shareholders' equity	3,743	3,500	3,230	3,299	3,362
Net financial debt as % of equity (Gearing)	22.8	30.4	50.5	45.7	24.1
Equity ratio					
Shareholders' equity	3,743	3,500	3,230	3,299	3,362
Total assets	7,260	7,398	7,709	7,917	7,932
Equity ratio	51.6	47.3	41.9	41.7	42.4

Dividend | For years, Südzucker's dividend policy has been commensurate with the group's profit and debt situation, and aims for continuity. Distributions are based above all on the group's earnings from operations. We had demonstrated this continuity by steadily increasing the dividend until the start of the EU sugar market reforms. The dividend per share trend line in relation to the key operating profit indicators is as follows:

		2010/11	2009/10	2008/09	2007/08	2006/07
Operating profit	€ million	519	403	258	233	419
Cash flow	€ million	606	553	504	498	554
Earnings per share	€/share	1.32	1.06	0.86	0.10	-1.72
Dividend per share	€/share	0.55[1]	0.45	0.40	0.40	0.55
Payout ratio	%	41.6	42.6	46.5	> 100	-

[1] Proposed.

Due to the charges resulting during the transition to the new EU sugar policies, we had to cut the dividend for 2007/08 from its previous level of € 0.55 per share to € 0.40 per share. The dividend increase to € 0.45 per share for the 2009/10 financial year reflected the operating profit recovery and the end of the transition phase in the European sugar market. The dividend recommendation for the 2010/11 financial year of € 0.55 per share is in line with the excellent profit growth.

Declaration regarding corporate management

The following is the report on corporate management in accordance with article 289a, para. 1 of the German Commercial Code (HGB) and corporate governance as per item 3.10 of the German Corporate Governance Code. The declaration regarding corporate management and the corporate governance report are published at Südzucker's Web site (www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Corporate-Governance-Bericht_Erklaerung_zur_Unternehmensfuehrung/).

Corporate Governance

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

Effective corporate governance is a given at Südzucker and has been practiced daily for many years. The company's policies are consistent with the recommendations of the German Corporate Governance Code and compliance is a key executive board and supervisory board responsibility.

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

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

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

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

Paragraph 2.3.3 – Absentee ballot at the annual general meeting
Südzucker AG Mannheim/Ochsenfurt's articles of incorporation have to date not provided the option of permitting an absentee ballot to be cast at the annual general meeting. We can thus not comply with the recommendation to provide shareholders with absentee ballots.

Paragraph 4.2.3 – Severance payment cap for executive member contracts
Executive board members' contracts contain no provision for a severance payment cap, nor do we see a need for this in future, particularly since there are significant legal concerns regarding such contractual clauses.

Paragraph 4.2.4 – Individual executive remuneration
Shareholders at the annual general meeting of Südzucker AG Mannheim/Ochsenfurt resolved on July 20, 2010 to waive disclosure of individual remuneration of executive board members for five years.

Paragraph 5.3.3 – Supervisory board nominating committee
We do not see a need to create an additional nominating committee that would compile a list of recommended candidates for the supervisory board. It is more appropriate that all supervisory board members have the opportunity to participate equally in finding supervisory board candidates, as has been the practice to date.

Paragraph 5.4.1 – Diversity goals for composition of the supervisory board
The supervisory board endeavors to achieve diversity in its composition and in particular, appropriate representation by women. However, the supervisory board will continue to prioritize the qualifications of the candidates being considered for office rather than their gender in making its decisions on its composition.

Paragraph 5.4.6 – Individual supervisory board remuneration

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

Remuneration | Südzucker AG's executive board compensation consists of a fixed annual salary, a variable 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. Since the Act on the Appropriateness of Management Board Compensation (VorstAG) came into force, the executive committee has prepared the executive board's compensation, which is defined by the full supervisory board and reviewed at regular intervals. Article 87, para. 1 of the German Stock Corporation Act, revised by VorstAG, states that the remuneration system for listed companies must be based on sustainable corporate growth and that variable compensation components must therefore be based on terms longer than one year. The new rules regarding the variable component of the executive board's compensation were applied at the time of the regular salary adjustment on January 1, 2011. The VorstAG requirement regarding a term longer than one year is met by basing the variable component on the average dividend of the three previous financial years, starting with 2011/12.

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

The supervisory board is compensated in accordance with article 12 of Südzucker AG's articles of incorporation. In addition to 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 of Südzucker AG's supervisory board for all activities was € 1.6 (1.3) million in 2010/11; subsidiaries accounted for € 0.2 (0.2) million of the total remuneration.

As discussed in detail in the declaration of compliance, Südzucker AG does not disclose the level of compensation of individual executive and supervisory board members because the benefits of such information bear no reasonable relation to the associated invasion into their privacy.

Asset loss liability insurance | The company has taken out asset loss liability insurance with a deductible, which covers the activities of members of the executive and supervisory boards (D&O insurance). Article 93, para. 2 of the German Stock Corporation Act, revised by VorstAG, states the deductible for supervisory board members shall be at least 10 % of the damage up to at least 1.5 times their fixed annual remuneration. The German Corporate Governance Code 2010 endorses this recommendation with respect to supervisory board members. Südzucker adjusted the deductible for supervisory board members in accordance with the new statutory requirements on the policy due date.

Shares held by members of the executive and supervisory boards; security transactions subject to disclosure according to article 15a of the Securities Trade Act | No member of the executive board or supervisory board owns shares representing more than 1 % of the total share capital of Südzucker AG. Furthermore, the total shareholdings of all executive and supervisory board members are less than 1 % of the total shares issued by the company.

In fiscal 2010/11, two persons with ties to a member of the supervisory board acquired a total of 800 shares at an average price of € 16.21 per share.

Principles of corporate management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

or published. The given protective rights of third parties shall be equally respected.

- *Separation of company and personal interests*
  All employees must always separate their personal interests from those of the company. Only objective criteria shall be applied when making personnel decisions or conducting business with third parties.

- *Cooperative conduct with authorities*
  Südzucker strives to maintain a cooperative relationship with all governing authorities. Information shall be provided completely, openly, correctly, in a timely manner and in a comprehensible form.

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

Supervisory board and executive board operating procedures

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

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

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

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

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

The executive board submits comprehensive, timely written reports regarding planning, business developments and the group's situation to the supervisory board and meets regularly with the supervisory board to discuss these topics. Risk management and compliance are additional key reporting topics. If necessary, extraordinary meetings are held with the supervisory board to discuss important events. The supervisory board has established rules of procedure for its work, which are in force as per the version dated November 26, 2009. The shareholder representatives and employee representatives always meet separately to prepare the meetings.

Supervisory board structure | Südzucker AG's supervisory board consists of twenty members as per the articles of incorporation, of which ten are elected by the shareholders and ten by the employees. The terms of office are identical. At the last supervisory board elections, held during the annual general meeting of July 24, 2007, the shareholder representatives were elected one at a time as recommended by the German Corporate Governance Code. Since then, there have been four personnel changes. Two employee representatives who retired were succeeded by already elected representatives. The Mannheim district court appointed new members after two further members stepped down. Südzucker ensures that candidates nominated for supervisory board positions have the required knowledge, skills and professional experience to fulfill their duties, and that they meet diversity requirements. Mr. Erwin Hameseder is the supervisory board's and audit committee's financial expert. There are no former Südzucker AG executive board members on the supervisory board. The panel has an adequate number of independent members who have no business or personal relationship with the company or the executive board. The supervisory board term of office is five years and the current term ends at the annual general meeting of 2012.

Diversity goals | The supervisory board currently has at least two independent members ("independent members" as defined in item 5.42 of the German Corporate Governance Code are persons who have no business or personal relationship with the company or its executive board that would be cause for a conflict of interest), at least two members that would be considered to meet the "internationality" criterion and no women.

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

- Maintain the number of independent members at the appropriate level, considered to be two.

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

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

The supervisory board's rules of procedure state that supervisory board members must step down from the board at the end of the financial year in which they turn seventy. The supervisory board will continue to recommend candidates at the annual general meeting who are most suited to sit on a supervisory board whereby the aforementioned diversity goals will be duly considered.

Supervisory board committees | The supervisory board has formed an executive committee, audit committee, agricultural committee, social committee and mediation committee from among its members. These committees prepare and supplement its work. The executive committee and the arbitration committee consist of four members each. The other committees have six members each, with an equal number of shareholder and employee representatives. The duties of the executive and other committees are outlined in the supervisory board rules of procedure and for the audit committee, the audit committee's rules of procedure dated May 19, 2003 apply in addition.

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

Every shareholder who registers by the due date is entitled to participate in the annual general meeting. Shareholders who are unable to attend personally have the option of exercising their voting rights by proxy through a financial institution, a shareholder association, Südzucker AG appointees who are bound by the directives of the shareholders or by some other authorized representative of their choice. Shareholders also have the option of submitting their vote in advance of the general meeting via the Internet or to give instructions to Südzucker AG's proxies via the Internet.

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

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

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

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

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

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

Capital markets and transparency | Südzucker advises capital market stakeholders and the interested public immediately, regularly and simultaneously about the group's business situation and new facts that come to light. The annual report, the midyear financial report and the interim quarterly reports are published as per the prescribed intervals. Telephone conferences with professional capital market stakeholders are held in conjunction with the quarterly reports. Press releases and notifications as required by capital market regulations, as well as ad hoc announcements if necessary, are used to communicate current events and new developments. All information is available simultaneously in German and English and is published in form of hard copies and using suitable electronic media such as e-mail and the Internet. Südzucker AG's Web site, www.suedzucker.de, also offers extensive information about Südzucker Group and Südzucker shares.

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

Information regarding share capital and impediments to takeover

as required by articles 289, para. 4 and 315, para. 4 of the German Commercial Code

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

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

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

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

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

Nominal capital was conditionally increased by € 13 million by issuing 13 million new shares. This conditional capital increase was intended to meet 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. Since no bondholders exercised their conversion rights before the cut-off date, this conditional capital is thus now superfluous and was canceled by a resolution at the annual general meeting dated July 20, 2010.

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

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

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

On June 30, 2009, Südzucker placed a convertible bond with a face value of € 283.45 million that matures on June 30, 2016. Article 16 of the bond conditions makes provision for bondholders to either demand repayment prior to the maturity date in the event of a change of control or to adjust the conversion price following the change of control.

Compensation agreements with members of the executive board or the employees that would come into effect in the event of a change of control do not exist.

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

Risk and opportunities report

Opportunities and risk management

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

Risk policies | Südzucker believes a responsible attitude toward opportunities and risks is an important element of a sustainable, value-oriented management system. This philosophy is also demonstrated by taking advantage of opportunities that serve to safeguard and improve the company's competitiveness. Südzucker uses an integrated system for early identification and monitoring of group-specific risks. The guiding principle for successfully managing risk is to balance opportunities and risks. The company's risk culture is characterized by risk-aware behavior, clear responsibilities, independent risk controlling and internal audits.

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

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

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

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

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

Risk communication | Openly communicating with the employees within the company who are responsible for the businesses and processes is essential to a properly functioning risk management system. As such, management is obliged to ensure that risks are communicated openly and quickly. Employees are required to be aware of and deal with risks proactively. Operative and strategic risks are reported and documented regularly as part of the entire planning, management and reporting process. The executive board and division heads meet regularly to discuss earnings developments and plans and ensure that information flows directly between the parties. Mitigating measures are analyzed and initiated for any operational or strategic risks identified during the sessions. Not only the divisions, but also the group departments regularly report to their respective department heads concerning current developments in their area of responsibility.

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

Risk categories and individual risks

Regulatory risks

Any potential changes to international and national trade agreements or agricultural market regulations are proactively analyzed without delay and evaluated within the risk management framework regarding their potential impact on Südzucker Group's earnings, financial and asset situation. As outlined in the sections "Economic environment, general conditions" of the management report on the segments, Südzucker's business is subject to a variety of legal and political stipulations, both at the national and European level. This can result in additional opportunities; e.g., when sugar export quotas are raised, or the German or European blend ratios for bioethanol are increased. At the same time, changes to this framework can result in additional risks; for example, if the EU were to approve additional duty-free import quotas for sugar as part of new bilateral free-trade agreements or if the blend ratios for bioethanol were reduced for Europe.

Risks associated with operations

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

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

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

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

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

CropEnergies' business policy will continue to mitigate residual risks of raw material price increases by entering into long-term supply agreements and utilizing commodity futures contracts as a hedge, as well as using alternative raw materials. However, depending on the market price situation, the risk that it will not be possible to secure cost-covering hedging transactions or to pass price increases of raw materials on to bioethanol purchasers cannot be excluded.

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

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

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

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

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

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

Another example of price risk is bioethanol prices in Europe, which are affected by various factors such as supply and demand at the local level, the price level and availability in Brazil and other exporting countries, as well as general political conditions, and may thus fluctuate significantly.

CropEnergies uses derivative instruments to a limited extent to hedge against price change risks for delivery contracts that may be affected by fluctuating bioethanol prices.

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

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

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

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

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

Legal risks

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

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

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

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

Financial risks

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

Liquidity risks

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

Creditworthiness and default risk

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

There are also default risks associated with financial institutions with which we have entered into hedging transactions, have deposited funds, have credit lines or that have offered guarantees on behalf of Südzucker. This risk increased due to the financial crisis and we limit it by conducting our financial business only with banks that have a high credit rating. Accordingly, we continuously monitor the creditworthiness of the financial institutions.

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

Rating

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

Overall risk position

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

Opportunities for further growth

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

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

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

Freiberger | Frozen foods is one of the steadily growing segments of Europe's food industry. There is no foreseeable end to this convenience trend. Freiberger Group, which is active in the frozen and chilled pizza as well as frozen pasta and snacks segments, uses its Europe-wide leading position as a supplier of customer-specific convenience products labeled as the private brands of international trading companies to tap the resulting growth potential. The group's European and Asian sales and distribution activities are being extended to cover the North American markets.

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

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

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

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

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

Description of the internal controlling and risk management system as it applies to accounting systems as per article 315, para. 2, item 5 of the German Commercial Code

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

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

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

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

Accounting related internal audit system | Südzucker Group's internal audit system is an integral part of the accounting process and incorporates the principles, processes and programs required to ensure that the accounting system is effective, efficient and correct and that there is no contravention of applicable laws. Südzucker Group's internal audit system is comprised of the internal control system and the internal monitoring system. Südzucker Group's internal monitoring system has two components: controls integrated into the processes and process-independent controls. There is a strong emphasis on the principle of segregation of duties and the principle of dual control.

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

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

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

Segregating the administrative, executive, accounting and approval functions and making different persons responsible greatly restricts the opportunities to engage in criminal activity. Nevertheless, it is impossible to fully exclude every eventuality, especially arbitrary personal decisions with negative ramifications, erroneous audits, criminal activities or other circumstances. In cases where the effectiveness and reliability of the internal controlling system proved weak, action is taken on any new facts ascertained. Appropriate recommendations are made and processes are revised to continuously improve the systems. Before integrating newly acquired companies, their internal control systems are quickly adapted to meet Südzucker Group's high standards.

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

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

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

Events after the balance sheet date

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

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

Outlook

We expect group revenues to increase slightly in financial 2011/12, to about € 6.3 billion. We expect the special products, CropEnergies and fruit segments to report rising revenues. We expect the sugar segment's revenues to be approximately the same as last year.

We expect the group's operating profit to rise to over € 550 million. We are especially counting on the sugar segment to generate higher operating profits. We are also expecting the CropEnergies and fruit segments' operating profits to grow. We do not expect the special products segment to be able to match the high prior year's level on account of commodity prices.

Sugar segment

We expect the sugar segment's revenues for fiscal 2011/12 to be approximately the same as last year. Lower exports, particularly in the first half of the year, will offset the expected sales revenue improvements and the opportunity to sell a limited amount of non-quota sugar from the 2010 campaign in the EU food market.

No temporary charges associated with the restructuring phase of the market regulation reforms were incurred in the financial year 2010/11 just ended. However, maintaining balanced supply and demand conditions is of key importance. The sustainable profit recovery in the quota sugar business resulted in an improvement in operating profit. In addition, operating profit received a one-time boost from the opportunity to export non-quota sugar during the first quarter of 2010/11 as a result of the bountiful harvest in 2009. We expect to be able to more than offset this missing one-time impact in fiscal 2011/12, especially from higher sales revenues, in spite of rising raw material costs. The opportunity to sell a limited amount of non-quota sugar in the EU food market will also have a positive effect.

Special products segment

We are expecting the special product segment's 2011/12 revenues to again rise sharply, with contributions from all divisions.

We do not expect the special products segment to be able to match the prior year's operating profit. Overall, the higher commodity costs will now have an impact over the course of the entire financial year. This will be offset by a positive impact of a further increase in volumes.

CropEnergies segment

We expect the CropEnergies segment's revenues to rise moderately. The production and sales volumes will be at least as high as they were the year prior.

Provided higher commodity costs can continue to be offset by higher sales revenues, we are expecting operating profit to be moderately higher than the high prior year's result.

Fruit segment

We are expecting the fruit segment's revenues to rise dramatically. The growth in the fruit preparations division will be supported by volume and sales revenue increases, as well as higher retail goods volumes. The fruit juice concentrates division is expected to grow due to higher sales revenues driven by higher commodity costs. The planned merger with Ybbstaler Fruit Austria GmbH will generate additional growth, although it is not expected to be completed until late fall of 2011.

The fruit segment's operating profit will further improve in 2011/12. Both divisions will contribute to the growth, mainly through rising sales revenues, which will be able to offset higher commodity costs.

Investments

After several years of high investments came to an end, Südzucker Group was able to get investments in fixed assets back to the required replacement level in fiscal 2009/10. Investments were thus also back to the depreciation level in the group in fiscal 2010/11. Together with improved cash flow, this led to a further reduction in net financial debt. We are not expecting investments in fixed assets to rise significantly in the upcoming financial years 2011/12 and 2012/13.

Medium-term outlook

We are expecting group revenues in 2012/13 to be at the same level as in fiscal 2011/12. We expect stable revenue growth in all segments.

From today's perspective, we are expecting a further slight improvement in operating profits in 2012/13. We are expecting the sugar segment to match the operating profit forecast for 2011/12. We are budgeting for moderately higher profits from the special products, CropEnergies and fruit segments than in 2011/12, provided commodity prices normalize. In the special products segment, this increase will be driven by further volume growth. For CropEnergies, we are expecting further capacity utilization and efficiency improvements. We are expecting the fruit segment's volumes to continue to grow.

Consolidated financial statements
Consolidated statement of comprehensive income

1 March 2010 to 28 February 2011

€ million	Notes	2010/11	2009/10	+/- in %
Income statement				
Revenues	(6)	**6,160.8**	**5,718.2**	**7.7**
Change in work in progress and finished goods inventories and internal costs capitalized	(7)	-92.8	-256.1	-63.8
Other operating income	(8)	106.1	157.9	-32.8
Cost of materials	(9)	-3,861.8	-3,445.1	12.1
Personnel expenses	(10)	-676.1	-671.8	0.6
Depreciation	(11)	-245.0	-256.7	-4.6
Other operating expenses	(12)	-880.5	-854.0	3.1
Income from operations	(13)	**510.7**	**392.4**	**30.1**
Income from companies consolidated at equity	(14)	4.1	2.0	> 100
Financial income	(15)	47.9	115.7	-58.6
Financial expense	(15)	-122.0	-161.7	-24.5
Earnings before income taxes		**440.7**	**348.4**	**26.5**
Taxes on income	(16)	-96.0	-72.0	33.3
Net earnings for the year	(18)	**344.7**	**276.4**	**24.7**
of which attributable to Südzucker AG shareholders		250.4	200.1	25.1
of which attributable to hybrid capital		26.2	26.2	0.0
of which attributable to minority interests		68.1	50.1	35.9
Earnings per share (€)	(18)	**1.32**	**1.06**	**25.1**
Dilution (€)		-0.05	-0.02	> 100
Earnings per share (€)		1.27	1.04	22.9
Statement of income and expenses recognized directly in equity				
Net earnings for the year		**344.7**	**276.4**	**24.7**
Market value of hedging instruments (cash flow hedge) after deferred taxes		9.7	4.3	> 100
Market value of securities (available for sale) after deferred taxes		-0.3	0.5	-
Exchange differences on net investments in foreign operations after deferred taxes		0.1	10.5	-99.0
Market valuations and exchange differences on net investments		**9.5**	**15.3**	**-37.9**
Foreign currency differences from consolidation		25.4	51.5	-50.7
Income and expenses recognized directly in equity		**34.9**	**66.8**	**-47.7**
Comprehensive income		**379.6**	**343.2**	**10.6**
of which attributable to Südzucker AG shareholders		281.3	246.7	14.0
of which attributable to hybrid equity capital		26.2	26.2	0.0
of which attributable to other minority interests		72.1	70.3	2.6

Consolidated cash flow statement

1 March 2010 to 28 February 2011

€ million	Notes	2010/11	2009/10
Net earnings for the period		344.7	276.4
Depreciation and amortization of intangible assets, fixed assets and financial assets	(11), (15)	245.0	256.7
Decrease (-) in non-current provisions and deferred tax liabilities/ increase (-) in deferred tax assets		-1.6	-29.7
Other expense (+) not affecting cash		18.0	49.7
Cash flow from operating activities		**606.1**	**553.0**
Gain on disposals of items included in non-current assets and of securities		-1.4	-2.4
Increase (+)/Decrease (-) in current provisions		84.8	-14.4
Increase (-)/Decrease (+) in inventories, receivables and other current assets		-68.1	640.6
Decrease (-) in liabilities (excluding financial liabilities)		-31.2	-351.7
Increase (-)/Decrease (+) in working capital		*-14.5*	*274.6*
I. Net cash flow from operating activities		**590.2**	**825.1**
Investments in fixed assets and intangible assets		-245.4	-216.6
Investments in financial assets		-5.8	-16.8
Investments		**-251.2**	**-233.4**
Cash received on disposals of non-current assets		20.0	25.3
Cash received (+)/ paid (-) on the purchase/sale of securities		84.5	-69.0
II. Cash flow from investing activities		**-146.7**	**-277.1**
Capital increases		0.0	51.7
Dividends paid		-143.4	-132.6
Repayment (-) of financial liabilities		-409.3	-284.3
III. Cash flow from financing activities		**-552.7**	**-365.3**
IV. Change in cash and cash equivalents (total of I., II. and III.)		**-109.2**	**182.8**
Change in cash and cash equivalents			
due to exchange rate changes		1.8	10.5
due to changes in entities included in consolidation		0.1	0.0
Decrease (-)/ Increase (+) in cash and cash equivalents		**-107.3**	**193.4**
Cash and cash equivalents at the beginning of the year		357.3	163.9
Cash and cash equivalents at the end of the year		**250.0**	**357.3**

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

Consolidated balance sheet

28 February 2011

€ million	Notes	28.02.2011	28.02.2010	+/- in %
Assets				
Intangible assets	(20)	1,188.1	1,189.1	-0.1
Fixed assets	(21)	2,554.9	2,551.5	0.1
Shares in companies consolidated at equity	(22)	11.1	19.0	-41.6
Other investments and loans	(22)	32.4	28.5	13.7
Securities	(22), (29)	105.4	146.2	-27.9
Receivables and other assets	(24)	29.1	13.0	> 100
Deferred tax assets	(16)	126.3	163.7	-22.9
Non-current assets		**4,047.3**	**4,111.0**	**-1.5**
Inventories	(23)	1,708.9	1,751.3	-2.4
Trade receivables	(24)	719.2	687.8	4.6
Other assets	(24)	360.6	274.0	31.6
Current tax receivables		23.6	24.8	-4.8
Securities	(29)	150.8	191.3	-21.2
Cash and cash equivalents	(29)	250.0	357.3	-30.0
Current assets		**3,213.1**	**3,286.5**	**-2.2**
Total assets		**7,260.4**	**7,397.5**	**-1.9**
Liabilities and shareholders' equity				
Subscribed capital		189.4	189.4	0.0
Capital reserves		1,189.3	1,189.3	0.0
Revenue reserves		1,086.3	891.8	21.8
Equity attributable to shareholders of Südzucker AG		*2,465.0*	*2,270.5*	*8.6*
Hybrid capital		683.9	683.9	0.0
Other minority interest		594.7	545.8	9.0
Shareholders' equity	(25)	**3,743.6**	**3,500.2**	**7.0**
Provisions for pensions and similar obligations	(26)	397.8	409.2	-2.8
Other provisions	(27)	167.6	188.4	-11.0
Non-current financial liabilities	(29)	547.8	1,118.9	-51.0
Other liabilities	(28)	14.3	14.7	-2.7
Deferred tax liabilities	(16)	178.1	190.8	-6.7
Non-current liabilities		**1,305.6**	**1,922.0**	**-32.1**
Other provisions	(27)	188.1	104.1	80.7
Current financial liabilities	(29)	811.9	641.1	26.6
Trade payables	(28)	813.7	807.4	0.8
Other liabilities	(28)	365.7	385.3	-5.1
Current tax liabilities		31.8	37.4	-15.0
Current liabilities		**2,211.2**	**1,975.3**	**11.9**
Total liabilities and shareholders' equity		**7,260.4**	**7,397.5**	**-1.9**
Net financial debt		853.5	1,065.2	-19.9
Net financial debt to cash flow ratio		1.4	1.9	
Equity ratio		51.6 %	47.3 %	
Net financial debt as % of equity (Gearing)		22.8 %	30.4 %	

Consolidated statement of changes in shareholders' equity

1 March 2010 to 28 February 2011

€ million	Sub-scribed capital	Capital reserves	Other revenue reserves	Fair value reserve	Cumulative foreign currency translation differences	Total revenue reserves	Equity of Südzucker share-holders	Hybrid capital	Other minority interests	Total share-holders' equity
1 March 2009	**189.4**	**1,137.6**	**780.9**	**-13.9**	**-47.4**	**719.6**	**2,046.6**	**683.9**	**498.9**	**3,229.4**
Market valuations and exchange differences on net investments				11.2		11.2	11.2		4.1	15.3
Foreign currency translation differences from consolidation					35.4	35.4	35.4		16.1	51.5
Income and expenses not recognized in the income statement				11.2	35.4	46.6	46.6		20.2	66.8
Net earnings			200.1			200.1	200.1	26.2	50.1	276.4
Comprehensive income			200.1	11.2	35.4	246.7	246.7	26.2	70.3	343.2
Distributions			-75.7			-75.7	-75.7	-26.2	-20.1	-122.0
Capital increase		51.7				0.0	51.7		0.0	51.7
Other changes			1.2			1.2	1.2		-3.3	-2.1
28 February 2010/ 1 March 2010	**189.4**	**1,189.3**	**906.5**	**-2.7**	**-12.0**	**891.8**	**2,270.5**	**683.9**	**545.8**	**3,500.2**
Market valuations and exchange differences on net investments				9.1		9.1	9.1		0.4	9.5
Foreign currency translation differences from consolidation					21.8	21.8	21.8		3.6	25.4
Income and expenses not recognized in the income statement				9.1	21.8	30.9	30.9		4.0	34.9
Net earnings			250.4			250.4	250.4	26.2	68.1	344.7
Comprehensive income			250.4	9.1	21.8	281.3	281.3	26.2	72.1	379.6
Distributions			-85.2			-85.2	-85.2	-26.2	-21.4	-132.8
Capital increase						0.0	0.0		0.0	0.0
Other changes			-1.6			-1.6	-1.6		-1.8	-3.4
28 February 2011	**189.4**	**1,189.3**	**1,070.1**	**6.4**	**9.8**	**1,086.3**	**2,465.0**	**683.9**	**594.7**	**3,743.6**

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

Notes to the consolidated financial statements

Segment report

Business segments

€ million	2010/11	2009/10	+/– in %
Südzucker – Group			
Gross revenues	**6,447.8**	**5,973.7**	**7.9**
Consolidation	-287.0	-255.5	12.3
Revenues	**6,160.8**	**5,718.2**	**7.7**
EBITDA	**772.0**	**645.3**	**19.6**
EBITDA margin	*12.5 %*	*11.3 %*	
Depreciation	-253.2	-242.7	4.3
Operating profit	**518.8**	**402.6**	**28.9**
Operating margin	*8.4 %*	*7.0 %*	
Restructuring costs/special items	-8.1	-10.2	-20.6
Income from operations after special items	**510.7**	**392.4**	**30.1**
Expenditures on fixed assets and intangible assets	245.4	216.6	13.3
Investments in financial assets	5.8	16.8	-65.3
Total capital expenditures	**251.2**	**233.4**	**7.6**
Capital employed	**5,314.4**	**5,374.4**	**-1.1**
Return on capital employed	9.8 %	7.5 %	
Employees	**17.658**	**17.493**	**0.9**
Sugar segment			
Gross revenues	**3,454.1**	**3,323.5**	**3.9**
Consolidation	-175.2	-169.4	3.5
Revenues	**3,278.9**	**3,154.1**	**4.0**
EBITDA	**396.2**	**331.4**	**19.6**
EBITDA margin	*12.1 %*	*10.5 %*	
Depreciation	-113.9	-113.9	0.0
Operating profit	**282.3**	**217.5**	**29.8**
Operating margin	*8.6 %*	*6.9 %*	
Restructuring costs/special items	-2.6	-16.4	-84.1
Income from operations after special items	**279.7**	**201.1**	**39.1**
Expenditures on fixed assets and intangible assets	126.2	106.8	18.2
Investments in financial assets	4.9	8.6	-43.3
Total capital expenditures	**131.1**	**115.4**	**13.6**
Capital employed	**2,748.0**	**2,890.3**	**-4.9**
Return on capital employed	10.3 %	7.5 %	
Employees	**7.978**	**8.218**	**-2.9**

€ million	2010/11	2009/10	+/- in %
Special products segment			
Gross revenues	**1,647.1**	**1,470.1**	**12.0**
Consolidation	-72.0	-73.6	-2.2
Revenues	**1,575.1**	**1,396.5**	**12.8**
EBITDA	**217.5**	**208.8**	**4.2**
EBITDA margin	*13.8 %*	*14.9 %*	
Depreciation	-73.6	-71.2	3.4
Operating profit	**143.9**	**137.6**	**4.6**
Operating margin	*9.1 %*	*9.8 %*	
Restructuring costs/special items	-6.3	12.0	-
Income from operations after special items	**137.6**	**149.6**	**-8.0**
Expenditures on fixed assets and intangible assets	66.8	49.9	33.8
Investments in financial assets	0.9	8.2	-88.4
Total capital expenditures	**67.7**	**58.1**	**16.5**
Capital employed	**1,334.8**	**1,309.4**	**1.9**
Return on capital employed	10.8 %	10.5 %	
Employees	**4.259**	**4.262**	**-0.1**
CropEnergies segment			
Gross revenues	**472.8**	**374.1**	**26.4**
Consolidation	-35.6	-12.5	> 100
Revenues	**437.2**	**361.6**	**20.9**
EBITDA	**76.3**	**33.1**	**> 100**
EBITDA margin	*17.4 %*	*9.2 %*	
Depreciation	-30.4	-21.2	43.2
Operating profit	**45.9**	**11.9**	**> 100**
Operating margin	*10.5 %*	*3.3 %*	
Restructuring costs/special items	0.8	-2.4	-
Income from operations after special items	**46.7**	**9.5**	**> 100**
Expenditures on fixed assets and intangible assets	21.6	33.8	-36.0
Investments in financial assets	0.0	0.0	
Total capital expenditures	**21.6**	**33.8**	**-36.0**
Capital employed	**529.7**	**524.9**	**0.9**
Return on capital employed	8.7 %	2.3 %	
Employees	**303**	**302**	**0.3**

€ million	2010/11	2009/10	+/- in %
Fruit segment			
Gross revenues	**873.8**	**806.0**	**8.4**
Consolidation	-4.2	0.0	-
Revenues	**869.6**	**806.0**	**7.9**
EBITDA	**82.0**	**72.0**	**13.9**
EBITDA margin	*9.4 %*	*8.9 %*	
Depreciation	-35.3	-36.4	-3.1
Operating profit	**46.7**	**35.6**	**31.3**
Operating margin	*5.4 %*	*4.4 %*	
Restructuring costs/special items	0.0	-3.4	-
Income from operations after special items	**46.7**	**32.2**	**45.0**
Expenditures on fixed assets and intangible assets	30.8	26.1	18.1
Investments in financial assets	0.0	0.0	-
Total capital expenditures	**30.8**	**26.1**	**18.1**
Capital employed	**701.9**	**649.8**	**8.0**
Return on capital employed	6.7 %	5.5 %	
Employees	**5.118**	**4.711**	**8.6**

As outlined in IFRS 8 (Operating Segments), the reporting segments of the Südzucker Group are aligned with the internal reporting structure. The Südzucker Group reports for the four segments sugar, special products, CropEnergies and fruit. The sugar segment includes the core sugar business. The special products segment includes the BENEO, Freiberger, PortionPack and starch divisions. The CropEnergies segment is a European producer of sustainably produced bioethanol for the fuel sector. The fruit segment covers the fruit preparations and fruit juice concentrates divisions.

The income from operations reported in the statement of comprehensive income breaks down into an operating profit and the results of restructuring and special items. The income from operations is a key ratio that represents a comparative figure for entities with different financial structures and tax systems by which the net earnings are adjusted for the financial result, the income from companies accounted for using the equity method and the tax expense.

The income from operations adjusted for special items in turn leads to the operating profit. Special items do not regularly recur within business operations and include such items that influence results but are not attributable to the reporting period and/or items that affect profits but are not related to the operating activities.

Operating profit serves as a basis for internal group management. Operating margin is calculated as the percentage of operating profit to sales revenues.

Capital employed reflects operating capital tied up in the segments and in the group. It consists of fixed assets, including intangible assets, and working capital (inventories, trade receivables and other assets less trade accounts payable, other short-term liabilities and short-term provisions and accrued liabilities). For the sake of greater comparability at the AGRANA level, the carrying amounts of goodwill items from the fruit segment are fully disclosed as at the level of the immediate parent company, AGRANA Beteiligungs-AG. Working capital includes only non-interest bearing receivables and payables.

ROCE (return on capital employed) represents the ratio of net operating profits to the capital employed and rose to 9.8 % at the group level in the financial year just ended after 7.5 % in the previous year.

€ million	2010/11	2009/10
Operating profit	**518.8**	**402.6**
Goodwill	1,252.2	1,253.2
Concessions, industrial and similar rights	56.7	57.4
Fixed assets	2,554.9	2,551.5
Non-interest bearing receivables	*1,041.4*	*948.1*
Inventories	*1,708.9*	*1,751.3*
./. Current provisions	*-188.1*	*-104.1*
./. Non-interest bearing liabilities	*-1,111.6*	*-1,083.0*
Working capital	1,450.6	1,512.3
Capital employed	**5,314.4**	**5,374.4**
Return on capital employed (ROCE)	**9.8 %**	**7.5 %**

See the information on the individual segments and the "Value-based management" section in the group management report for more information on ROCE. Transactions between segments – with sales revenues of € 287.0 million (€ 255.5 million) – were made at normal market conditions.

Geographic segments

€ million	2010/11	2009/10
Third-party revenues		
Germany	1,790.0	1,709.7
Other EU	3,812.2	3,533.3
Other countries	558.6	475.2
	6,160.8	**5,718.2**
Expenditures on fixed assets and intangible assets (excluding goodwill and additional quota)		
Germany	64.3	51.1
Other EU	155.7	144.2
Other countries	25.4	21.3
	245.4	**216.6**

The information on sales revenues with third parties and/or on investments refers to the headquarters of the respective group company.

General explanatory notes

(1) Principles of preparation of the consolidated financial statements

Südzucker AG Mannheim/Ochsenfurt is headquartered at Maximilianstraße 10 in 68165 Mannheim/Germany; the company is registered in the commercial register under HRB-No. 42 at the district court of Mannheim. According to Article 2 of the Articles of Incorporation of the company dated July 20, 2010 the corporate purpose of the company is the production of sugar, its sales, the utilization of its by-products and conducting agricultural operations. The company is also authorized to participate in other undertakings, to acquire such undertakings and to enter into any transactions that appear directly or indirectly beneficial to achieving or promoting the corporate purpose.

The consolidated financial statements present the operations of Südzucker AG and its subsidiaries. Südzucker has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, 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 Section 315 a (1) of the German Commercial Code (HGB) have also been considered.

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

The consolidated financial statements for 2010/11 were prepared by the executive board, will be examined by the audit committee on May 5, 2011 and will be reviewed and approved by the supervisory board at the meeting on May 17, 2011 so that they are authorized for issue.

Südzucker prepares and presents the consolidated financial statements in euros; unless otherwise indicated, all amounts are disclosed in millions of euros (€ million). The previous year's numbers are generally put in parentheses.

In addition to a group statement of comprehensive income, which comprises the group income statement, a group statement of income and expense recognized directly in equity, the group cash flow statement and the group balance sheet, the consolidated financial statements also provide a group statement of changes in shareholders' equity. The disclosures in the notes also include segment reporting.

Certain items in the balance sheet and statement of comprehensive income 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 prepared using the nature of expense method.

The consolidated financial statements are prepared based on historical cost, provided no other method is reported under note (5) Accounting policies.

The IASB revised and reissued a number of standards and interpretations that are mandatory for Südzucker starting in the 2010/11 financial year:

The revised IFRS 3 (Business Combinations – 2008) includes amended provisions for acquisitions; the adjustments relate to the scope of and accounting for successive share purchases. Moreover, the amendments permit a choice of measuring interests of the non-controlling investor using the fair value or the proportionate share in net assets. Depending on the how this choice is exercised, any goodwill resulting under the acquisition is recognized either completely or only with the majority partner's share. In addition, incidental acquisition costs from business combinations are to be recognized as an expense.

The amendments to IAS 27 (Consolidated and Separate Financial Statements – 2008) clarify that transactions which change the parent's interest in a subsidiary without losing or obtaining control are in the future to be accounted for as changes in equity not recognized in profit or loss. There are also new rules for accounting for transactions with an associated loss of the controlling position in a subsidiary. The standard states how gains from deconsolidation are determined and how a remaining residual interest after disposal is to be measured.

The first-time application of these two revised standards had no material effect on the financial position and performance.

The IASB published amendments to various IFRSs (Improvements to IFRSs 2009) in April 2009 as part of its "Annual Improvements" project. The amendments specify the recognition, measurement and classification of transactions, standardize terms and are to be seen primarily as editorial changes to existing standards.

The other standards and interpretations mandatory for the first time in the 2010/11 financial year were not relevant for Südzucker:

- IAS 32 (Financial Instruments: Presentation – 2009) – Amendment to IAS 32: Classification of Rights Issues
- IAS 39 (Financial Instruments: Recognition and Measurement – 2009) Amendment to IAS 39: Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRS 1 (First-time Adoption of International Financial Reporting Standards – 2009) – Amendment to IFRS 1: Acceptance of Additional Exemptions for First-time Adopters
- IFRS 1 (First-time Adoption of International Financial Reporting Standards – 2008) –Amendment to IFRS 1: Restructured IFRS 1
- IFRS 2 (Share-Based Payment – 2009) – Amendment to IFRS 2: Group Cash-settled Share-based Payment Transactions
- IFRIC 12 (Service Concession Arrangements)
- IFRIC 15 (Agreements for the Construction of Real Estate)
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)
- IFRIC 17 (Distribution of Non-cash Assets to Owners)
- IFRIC 18 (Transfers of Assets from Customers)

The application of the following amended standards and new interpretations adopted by the EU into European law is mandatory for Südzucker starting in the 2011/12 financial year or later; they have little or no material effect on Südzucker's consolidated financial statements:

- IFRS 1 (First-time Adoption of International Financial Reporting Standards – 2010) – Amendment to IFRS 1: Granting of Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IAS 24 (Related Party Disclosures – 2009)
- IFRIC 14 (Prepayments of a Minimum Funding Requirement – 2009)
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments)

The IASB published "Improvements to IFRSs 2010", the third collection of amendments, in May 2010 as part of its "Annual Improvements" project. The amendments specify the recognition, measurement and classification of transactions, standardize terms and are to be seen primarily as editorial changes to existing standards. Some amendments are mandatory for financial years beginning on or after January 1, 2011 (2011/12), and others for financial years beginning on or after July 1, 2011 (2012/13).

The IASB already published the following standards, interpretations and amendments, but these have not yet been adopted by the EU into European law:

- IAS 12 (Income Taxes – 2010) Amendment to IAS 12: Measurement of deferred taxes according to whether the carrying amount is recovered from its use or disposal (rebuttable presumption)
- IFRS 1 (First-time Adoption of International Financial Reporting Standards – 2010) – Amendment to IFRS 1: Simplification of the derecognition provisions prior to transition to IFRSs and special rules if the functional currency was subject to hyperinflation
- IFRS 7 (Financial Instruments: Presentation – 2010) Amendment to IFRS 7: Disclosures relating to derecognition of assets when they are transferred

The IASB published IFRS 9 (Financial Instruments) in November 2009. This standard includes the first of the three phases of the IASB project to replace the currently valid IAS 39 (Financial Instruments: Recognition and Measurement). The new standard IFRS 9 is to be applied for financial years beginning on or after January 1, 2013. In the future it will be reduced to two categories for classifying financial assets – the measurement at amortized cost and the measurement at fair value. The former differentiated model for classification and measurement outlined in IAS 39 will be obsolete. The European Financial Reporting Advisory Group (EFRAG) delayed adoption of IFRS 9 to wait until the complete set of rules and regulations for financial instruments is presented by the IASB and also so that it has enough time to assess the results. Recognition at Südzucker takes place largely as outlined in the new standards, so no material effect is expected on Südzucker's consolidated financial statements.

(2) Companies included in consolidation

In addition to Südzucker AG, all domestic and foreign subsidiaries in which Südzucker AG has direct or indirect control are **fully consolidated** in the consolidated financial statements. 151 (161) companies were included in the consolidated financial statements for the year ended February 28, 2011. In fiscal 2010/11, four companies were included for the first time, five were merged, and nine companies left the group.

PortionPack Europe Holding B.V. acquired a 100 % stake in Union Edel Chocolade B.V., Haarlem/Holland, a portion pack company for chocolate specialties, effective June 18, 2010. The purchase price including certain purchase price elements amounts to € 0.9 million; added to this are incidental expense-related acquisition costs totaling € 0.2 million. The company's previous activities will be integrated in the existing PortionPack companies; the impact on Südzucker's consolidated financial statements is insignificant.

AGRANA Nile Fruits Processing (SAE), Qalyoubia/Egypt, which AGRANA Fruit S.A.S. holds a 51 % stake in, was fully consolidated for the first time starting in the third quarter of 2010/11. AGRANA is expanding its presence in the Middle East and Africa with this company, which together with Nile Fruits (SAE) – an Egyptian fruit packing company and a manufacturer of fruit fillings – was founded to add to the existing production sites in Turkey and South Africa with the new factory in Egypt.

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	Change in scope of consolidation	
28 February	**2011**	2010
Non-current assets	0.1	9.0
Inventories	*0.0*	*1.8*
Receivables and other assets	*0.7*	*5.4*
Cash and cash equivalents and securities	*0.1*	*0.9*
Current assets	0.8	8.1
Total assets	**0.9**	**17.1**
Shareholders' equity	0.1	10.6
Non-current liabilities	0.0	1.4
Current liabilities	0.8	5.1
Total liabilities and equity	**0.9**	**17.1**
Revenues	4.2	11.8
Net earnings (loss) for the year	-0.9	0.4

The deconsolidations were insignificant and affected mainly liquidations and mergers.

The **proportionate consolidation** method is now used for 10 (9) joint ventures.

€ million	Proportionately consolidated companies	
28 February	**2011**	2010
Non-current assets	136.1	140.4
Inventories	*29.6*	*32.2*
Receivables and other assets	*57.7*	*46.6*
Cash and cash equivalents and securities	*4.0*	*7.8*
Current assets	91.4	86.6
Total assets	**227.5**	**227.1**
Shareholders' equity	102.4	107.8
Non-current liabilities	23.5	23.5
Current liabilities	101.6	95.7
Total liabilities and equity	**227.5**	**227.1**
Revenues	291.9	190.0
Net earnings for the year	25.7	17.2

The **equity method** was used for one company; in the prior year for seven companies. The disposal of six companies concerns the Eastern Sugar Group, which had already returned its sugar quotas in the countries Slovakia, Czech Republic and Hungary to the EU restructuring fund after the 2006 sugar campaign. In the financial year just ended liquidation was for the most part complete with the distribution of € 5 million to Saint Louis Sucre S.A., Paris/France. The companies disposed of are now included in the other investments.

€ million	Companies consolidated at equity	
28 February	**2011**	2010
Non-current assets	0.1	3.9
Inventories	*22.1*	*21.0*
Receivables and other assets	*40.1*	*43.9*
Cash and cash equivalents and securities	*4.3*	*18.1*
Current assets	66.4	83.0
Total assets	**66.5**	**86.9**
Shareholders' equity	9.6	24.1
Non-current liabilities	0.0	0.0
Current liabilities	56,9	62.8
Total liabilities and equity	**66.5**	**86.9**
Revenues	306.2	279.3
Income from companies consolidated at equity	4.1	2.0

(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 the possibility of control of the subsidiary can be 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 entities 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. The accounting for minority interests from acquisitions takes place using the consolidated accounts method.

As set out in IFRS 3 (Business Combinations), goodwill is not subject to annual amortization over its useful life but rather 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. Shares in associates 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; this also includes sales joint ventures.

In the case of step acquisitions or business combinations achieved in stages, the shares of the entity being sold are purchased in stages in other words the control of the entity is gained in several steps. IFRS 3 is to be applied to the combination as soon as the acquirer has gained control. Before control is gained the interest is reported according to IAS 28 (Investments in Associates), IAS 31 (Interests in Joint Ventures) or IAS 39 (Financial Instruments: Recognition and Measurement), depending on which standard is relevant. The fair value of assets and liabilities including the purchased entity's goodwill is remeasured until the point control is gained with the option of recognizing either the entire goodwill (full goodwill method) or only the goodwill inferred based on the proportionate revalued net assets (purchased goodwill method). Obtaining control triggers a complete revaluation of all assets and liabilities. Any adjustments to an equity interest already held in the past are to be recognized in profit or loss once control is obtained.

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

(4) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency using the exchange rates on the date of the transaction. Currency gains and losses from the settlement of such transactions and from conversion of monetary assets and liabilities at the year-end rate are recognized in the income statement.

The annual financial statements are prepared in the functional currency of the respective entity. An entity's functional currency is described as the currency of the economic environment in which the entity does business independently with regard to financial, economic and organizational matters. With the exception of the distributor BENEO-Palatinit PTE Ltd. in Singapore, the subsidiaries' functional currency corresponds with the country currency in which the respective subsidiary has its headquarters.

When the financial statements of foreign group companies are prepared in a functional currency other than euros – Südzucker's reporting currency – translation of assets and liabilities takes place using mid-market rates at the balance sheet date (year-end rates). The mid-market rates are the average bid and asking prices at the end of the respective effective dates. In the case of foreign currency gains and losses from the measurement of assets and liabilities within the scope of group financing, the translation occurs at the average rate. 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	Year-end rate	Average rate	Year-end rate
1 € =		Local currency				
Country		28.02.2011	2010/11	28.02.2010	2009/10	28.02.2009
Australia	AUD	1.36	1.41	1.52	1.71	1.99
Brazil	BRL	2.29	2.29	2.47	2.69	3.01
Chile	CLP	654.06	662.09	716.28	764.14	760.38
Denmark	DKK	7.46	7.45	7.44	7.44	7.45
Great Britain	GBP	0.85	0.85	0.89	0.89	0.89
Mexico	MXN	16.74	16.47	17.36	18.70	19.14
Moldova	MDL	16.53	16.21	17.28	16.13	13.63
Poland	PLN	3.98	3.97	3.98	4.26	4.66
Romania	RON	4.21	4.23	4.11	4.22	4.30
Russia	RUB	39.90	39.97	40.73	43.78	45.50
Singapore	SGD	1.76	1.77	1.91	2.02	1.96
Czech Republic	CZK	24.35	25.01	25.97	26.16	28.09
Turkey	TRY	2.21	2.00	2.10	2.16	2.16
Ukraine	UAH	10.91	10.45	10.78	11.04	9.84
Hungary	HUF	270.72	275.84	269.90	277.42	300.46
USA	USD	1.38	1.32	1.36	1.41	1.26

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 and reported in comprehensive income, as an additional disclosure to income and expense recognized directly in equity, as foreign currency differences from consolidation.

Intra-group loans for long-term financing of share purchases primarily represent a part of the net investment in these foreign operations; exchange rate fluctuations resulting from the year-end valuation are recognized directly in equity and reported in comprehensive income, as an additional disclosure to income and expense recognized directly in equity, as exchange differences on net investments in foreign operations.

(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 (impairment-only approach). 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 or campaign-related 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 attributable to the acquisition or production of qualifying assets (construction of new production plants or material growth-related investments with a construction period of at least one year) are capitalized as cost until completion. The capitalization rate used is based on a balanced average cost of borrowed capital or on finance charges for funds specifically borrowed for obtaining qualifying assets. 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	10 to 50 years
Technical equipment and machinery	5 to 25 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 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.

A **lease** is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A difference is made between a finance lease and an operating lease. Lease transactions are treated as finance leases when the lessee assumes substantially all the risks and rewards of ownership. All other leases are referred to as operating leases. Finance leases play an insignificant role in the Südzucker Group. In the case of operating leases, the Südzucker Group as a lessee recognizes the leasing rates to be paid as expense. Operating leases include rental expenses for buildings, machines, vehicles, IT hardware and office technology. In this case there must be a lease agreement that specifies the periodic rent payments, a minimum rental period and/or a notice period. A differentiation is made between service agreements that also include the use of assets owned by third parties but by which the focus is on the service and not the object itself.

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. These entities are initially recognized at cost and subsequently 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).

Non-current securities and 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 cost. 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. In detail, it includes directly attributable costs, fixed and variable production overheads as well as depreciation of production machinery. Finance charges are not considered here. Where necessary, the lower net realizable value less costs to complete is used. 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 in separate accounts for bad debts and other risks in receivables. Nominal value less allowances is the same as fair value. Attention is directed to the individual case when writing off uncollectible receivables.

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 cost. 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.

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. CO_2 emission rights already acquired for use in a later trading period are recognized under non-current assets.

Pursuant to IAS 32 (Financial Instruments: Presentation) the terms and conditions of the **hybrid equity capital** issued in summer 2005 call for the reporting of this as shareholders' equity of the Südzucker Group. Correspondingly, the tax-deductible interest is not reported as interest expense but rather is treated the same as dividend payments to Südzucker AG shareholders. Capital procurement costs were directly deducted from hybrid equity capital taking taxes into account.

Provisions for pensions and similar obligations for defined benefit plans are determined as set out in IAS 19 (Employee Benefits) using the projected unit credit method. With the projected unit credit method not only the pensions known at the effective date and acquired benefits are considered but also future adjustments to salaries and pensions. The calculation relies on actuarial reports taking biometric data into account.

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 and 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 excess 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.

Past service costs are recognized immediately in profit or loss if the changes to the pension plan are not dependent on the employee remaining with the company for a predetermined period (period until the benefits become vested). In this case past service costs are recognized in profit or loss on a straight line basis over the period until the benefits become vested.

Payments for defined contribution plans are recognized as an expense when due, and reported under personnel expenses. Payments for state benefit plans are treated the same as those for defined contribution plans. The group does not have any other obligations beyond the payment contributions.

Other provisions are recognized if there is a present obligation arising from a past event, the probability that there will be an outflow of resources to meet these obligations is more likely than not and the amount can be reliably estimated. This means that the probability of occurrence must be greater than 50 %. Measurement is made based on the amount most likely to be incurred or, if no amount is more likely than any other, the expected amount to be paid. Provisions are only recognized for legal and constructive obligations to third parties; also included here are provisions for part-time early retirement and provisions for anniversaries. 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 (29) to (31) for details on the recognition and measurement of financial instruments.

Contingent liabilities are possible obligations to third parties or obligations that already exist in which an outflow of resources is unlikely or the amount of which cannot be determined reliably. Contingent liabilities are recognized in the balance sheet only when they are acquired as part of a business combination. The obligation volume of contingent liabilities disclosed in the notes to the financial statements represents the contingencies existing as of the period end.

Financial assets are written off when the payment rights have expired. **Financial liabilities** are written off when they have extinguished, i.e. when all of the obligations outlined in the agreement have been met, reversed or expired.

Revenues comprise the fair value of the consideration received or to be received for the sale of goods in the ordinary course of business. Revenues are reported without sales tax, discounts, or rebates and after eliminating intra-group sales. Revenues are recognized when the delivery or service has been rendered and significant opportunities and risks have been transferred.

For **development costs,** the costs of developing 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. **Research costs** may not be capitalized as set out in IAS 38 (Intangible Assets), and are recognized as an expense when they are incurred.

Interest income and **interest expense** not capitalized under IAS 23 (Borrowing Costs) is recognized pro rata temporis using the effective interest method. **Dividends** are collected when the legal claim arises.

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.

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. Assumptions and estimates are also related to the accounting and measurement of other provisions.

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 statement of comprehensive income

(6) Revenues

Revenues are detailed in segment reporting, the notes on performance and in the information on the individual segments in the management report.

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

€ million	2010/11	2009/10
Change in work in progress and finished goods inventories		
Sugar	-123.6	-250.8
Special products	14.8	-4.8
CropEnergies	-2.9	10.9
Fruit	12.4	-17.5
	-99.3	**-262.2**
Internal costs capitalized	6.5	6.1
	-92.8	**-256.1**

The decrease in inventories in the sugar segment by € 123.6 million is primarily attributable to lower stock quantities. Inventories after the above-average campaign production in the sugar marketing year 2009/10 are lower than last year.

(8) Other operating income

€ million	2010/11	2009/10
Income from special items	2.1	40.8
Gain on sales of current and non-current assets	6.3	12.2
Foreign exchange and currency translation gains	13.7	8.6
Other income	84.0	96.3
	106.1	**157.9**

Income from special items mainly comprises insurance settlements for fire damage during the 2009 campaign at the factory in Strezlin, Poland. Last year's reported income from special items mainly comprised insurance settlements for damage that occurred during a fire at the pizza production facility in Skelmersdale, Great Britain in December 2008, and damages at BENEO-Orafti Chile S.A. in Chile caused by the earthquake on February 27, 2010.

(9) Cost of materials

€ million	2010/11	2009/10
Cost of raw materials, consumables and supplies and of purchased merchandise	3,666.1	3,291.5
Cost of purchased services	195.7	153.6
	3,861.8	**3,445.1**

(10) Personnel expenses

€ million	2010/11	2009/10
Wages and salaries	531.3	518.2
Social security, pension and welfare expenses	144.8	153.6
	676.1	**671.8**

Average number of employees during the year:

Employees by segment	2010/11	2009/10
Sugar	7,978	8,218
Special products	4,259	4,262
CropEnergies	303	302
Fruit	5,118	4,711
	17,658	**17,493**

Employees by geographic areas	2010/11	2009/10
Germany	3,976	4,022
Other EU	9,079	9,227
Eastern Europe	1,894	1,774
Other countries	2,709	2,470
	17,658	**17,493**

The average number of employees in the group for the 2010/11 financial year rose to 17,658 from 17,493 the previous year. Staff cuts were made in the sugar segment – especially in Eastern Europe – reducing the workforce by 240 employees. In contrast, the fruit segment grew by 407 employees that were added during this harvest season. The total number of employees within the group includes 390 (338) individuals employed at proportionately consolidated companies.

(11) Depreciation

€ million	2010/11	2009/10
Intangible assets	14.2	12.2
Fixed assets	237.2	224.0
Depreciation and amortization	**251.4**	**236.2**
Intangible assets	0.1	3.0
Fixed assets	3.7	18.8
Impairment losses	**3.8**	**21.8**
Income from reversals of impairment losses	**-10.2**	**-1.3**
	245.0	**256.7**
whereof operating	253.2	242.7
whereof results of restructuring and special items	-8.2	14.0

Last year's write-downs made on the basis of estimates were largely for fixed assets of the Chilean inulin factory damaged by the earthquake on February 27, 2010. There were also some write-ups in this area during the financial year just ended.

(12) Other operating expenses

€ million	2010/11	2009/10
Selling and advertising expenses	400.8	390.6
Operating and administrative expenses	249.1	239.4
Expenses due to restructuring costs and special items	30.3	29.3
Operating lease expenses	11.9	41.1
Production levy	20.9	22.7
Losses on disposals of current and non-current assets	9.6	19.1
Foreign exchange and currency translation losses	9.3	11.1
Other expenses	148.6	100.6
	880.5	**854.0**

The expenses from restructuring and special items of € 30.3 million (€ 29.3 million) mostly related to restructuring measures und legal risks as well as to environmental risks. Last year's expenses were largely for restructuring and reassessing default risk for trade receivables. The decrease in operating lease expenses is attributed to a change in presentation. Also included in this item in the previous year were expenses for services, which have been properly allocated to other expenses in 2010/11.

(13) Income from operations

€ million	2010/11	2009/10
Income from operations	**510.7**	**392.4**
of which operating profit	518.8	402.6
of which restructuring costs and special items	-8.1	-10.2

Income from operations of € 510.7 million (€ 392.4 million) breaks down into an operating profit of € 518.8 million (€ 402.6 million) plus the results of restructuring and special items of € -8.1 million (€ -10.2 million). The breakdown of operating profit is found in segment reporting. The results of restructuring and special items are explained in the group management report in the section on the earnings position, assets and financial position.

(14) Income from companies consolidated at equity

€ million	2010/11	2009/10
Income from companies consolidated at equity	**4.1**	**2.0**

Income from companies consolidated at equity came in at € 4.1 million (€ 2.0 million) and mainly includes the company's share of earnings from a joint venture sales organization.

(15) Financial income and expense

€ million	2010/11	2009/10
Interest income	32.0	42.8
Other financial income	15.9	72.9
Financial income	**47.9**	**115.7**
Interest expense	-105.4	-127.7
Other financial expense	-16.6	-34.0
Financial expense	**-122.0**	**-161.7**
Financial expense, net	**-74.1**	**-46.0**

The financial result worsened year-over-year by € 28.1 million to € -74.1 million (€ -46.0 million), which was largely due to last year's foreign exchange gains from the financing of the Eastern European Group companies in euros and the interest income from the discounted receivables from the EU restructuring assistance. The decline in interest expense from € 127.7 million to € 105.4 million was primarily the result of the lower average debt. Interest expense on pensions and similar obligations totaled € 22.6 million (€ 23.3 million).

(16) Taxes on income

The projected theoretical tax expense of 29.1 % for the past 2010/11 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 current income tax expense of € 96.0 million (€ 72.0 million) was € 32.4 million (€ 29.5 million) less than the theoretical income tax expense of € 128.4 million (€ 101.5 million).

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

€ million	2010/11	2009/10
Earnings before taxes on income	440.7	348.4
Theoretical tax rate	29.1 %	29.1 %
Theoretical tax expense (+)	**128.4**	**101.5**
Change in theoretical tax expense as a result of:		
Different tax rates	-5.5	-4.5
Tax reduction for tax-free income	-25.1	-30.8
Tax increase for non-deductible expenses	14.2	6.8
Out-of-period tax effects	-17.8	-6.0
Other	1.8	5.0
Taxes on income	**96.0**	**72.0**
Effective tax rate	**21.8 %**	**20.7 %**

The tax expense of € 96.0 million (€ 72.0 million) was comprised of current taxes paid or payable of € 75.8 million (€ 101.9 million) and € 20.2 million deferred tax expense after € 29.9 million deferred tax income in the previous year.

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. Deferred tax assets of € 182.2 million (€ 184.2 million) were recognized for tax loss carryforwards that are expected to be used against future taxable income. Deferred tax assets totaling € 127.2 million (€ 162.3 million) were not recognized as it is unlikely that the tax assets will be recoverable in the foreseeable future. € 118.7 million of not recognized deferred taxes on tax loss carryforwards relate to tax loss carryforwards useable without temporal restriction.

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.

Income taxes recognized directly in shareholders' equity amounted to € 0.0 million (€ 0.2 million) in the financial year.

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 February	2011	2010	2011	2010
Fixed assets and intangible assets	55.5	62.7	157.6	157.6
Inventories	7.6	9.0	31.6	35.0
Other assets	17.2	18.0	14.7	13.7
Tax-free reserves	0.0	0.0	71.1	71.3
Provisions	21.3	31.6	10.7	14.5
Liabilities	6.7	5.3	56.6	45.8
Tax loss carry forwards	182.2	184.2	0.0	0.0
	290.5	**310.8**	**342.3**	**337.9**
Offsets	-164.2	-147.1	-164.2	-147.1
Balance sheet	**126.3**	**163.7**	**178.1**	**190.8**
Whereof non-current	**98.1**	**118.0**	**140.4**	**151.5**

(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 421 (440) staff. Research and development expenses amounted to € 35.3 million (€ 33.5 million), with the largest share included in personnel expenses.

(18) Earnings per share

€ million	2010/11	2009/10
Net earnings for the year	344.7	276.4
of which attributable to hybrid capital	26.2	26.2
of which attributable to other minority interest	68.1	50.1
of which attributable to shareholders of Südzucker AG	250.4	200.1
Earnings in € per share	**1.32**	**1.06**
Dilution effect	-0.05	-0.02
Diluted earnings in € per share	1.27	1.04

Of the group earnings for the year of € 344.7 million (€ 276.4 million), earnings of € 26.2 million (unchanged) are attributable to holders of the hybrid capital. Other minority interests of € 68.1 million (€ 50.1 million) consist mainly of minority shareholders of the AGRANA Group and the CropEnergies Group. This leaves shareholders of Südzucker AG with consolidated net earnings for the year of € 250.4 million (€ 200.1 million). Based on a weighted average number of 189.4 million shares outstanding, earnings per share calculated in accordance with IAS 33 (Earnings per Share) were € 1.32 (€ 1.06)/share. No holders of the convertible bond issued on June 25, 2009 exercised conversion rights during the reporting period. Assuming the shares were converted, the diluted earnings per share would be € 1.27. This includes the 15 million shares for the period since the convertible bond was issued; diluted earnings per share is therefore based on a total of 204.4 million shares.

(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 2010/11 amounted to € 606.1 million (€ 553.0 million). Other non-cash expenses presented in the cash flow statement of € 18.0 million (€ 49.7 million) were mainly related to non-cash interest effects in conjunction with the convertible bond and to exchange rate effects.

Investments in fixed assets (including intangible assets) of € 245.4 million (€ 216.6 million) were primarily for the packaging station in Roye, France, the evaporator station and the extraction tower in Plattling, Germany, as well as for replacement spending in the sugar segment and for expanding the pizza factory in Westhoughton, Great Britain in the special products segment. The CropEnergies segment's investments declined after the completion of the new construction in Wanze, Belgium.

Investments in financial assets of € 5.8 million (€ 16.8 million) were primarily attributable the acquisition of Union Edel Chocolade B.V., Haarlem, Holland and the increased stake in Candico N.V., Merksem, Belgium from 75.5 % to 100 %. Furthermore, Südzucker Polska S.A., Wroclaw, Poland bought back shares.

Profit distributions throughout the group in the financial year just ended totaled € 143.4 million (€ 132.6 million) and included € 85.2 million (€ 75.7 million) paid out to Südzucker AG's shareholders and € 58.2 million (€ 56.9 million) to minority interests.

Dividends from companies consolidated at equity and other investments amounted to € 7.0 million (€ 60.7 million). Income taxes paid were € 70.1 million (€ 99.8 million) and were allocated to operating activities and back duties from previous years. Financing-related interest payments amounted to € 123.5 million (€ 66.4 million) and interest receipts were € 30.5 million (€ 26.4 million). The significant increase in interest payments is tied to the maturity of the coupon of € 28.8 million of the € 500 million bond (2002/2012) on February 27. February 27 was a Saturday in 2010, which made the coupon due on the following workday (March 1, 2010). The payments for 2010 and 2011 were therefore included in the 2010/11 financial year.

Notes to the balance sheet

(20) Intangible assets

€ million	Goodwill	Concessions, industrial and similar rights	Total
2010/11			
Acquisition costs			
1 March 2010	1,720.5	188.8	1,909.3
Change in companies incl. in the consolidation/ currency translation/other changes	0.0	0.7	0.7
Additions	0.0	11.0	11.0
Transfers	0.0	2.5	2.5
Disposals	-0.3	-12.9	-13.2
28 February 2011	1,720.2	190.1	1,910.3
Amortization and impairment losses			
1 March 2010	-588.8	-131.4	-720.2
Change in companies incl. in the consolidation/ currency translation/other changes	0.0	-0.3	-0.3
Amortization for the year	0.0	-14.2	-14.2
Impairment losses	0.0	-0.1	-0.1
Transfers	0.0	0.0	0.0
Disposals	0.0	12.6	12.6
28 February 2011	-588.8	-133.4	-722.2
Net carrying amount as at 28 February 2011	**1,131.4**	**56.7**	**1,188.1**
2009/10			
Acquisition costs			
1 March 2009	1,712.4	176.6	1,889.0
Change in companies incl. in the consolidation/ currency translation/other changes	0.1	3.0	3.1
Additions	8.0	8.6	16.6
Transfers	0.0	4.3	4.3
Disposals	0.0	-3.7	-3.7
28 February 2010	1,720.5	188.8	1,909.3
Amortization and impairment losses			
1 March 2009	-588.8	-119.4	-708.2
Change in companies incl. in the consolidation/ currency translation/other changes	0.0	-0.4	-0.4
Amortization for the year	0.0	-12.2	-12.2
Impairment losses	0.0	-3.0	-3.0
Transfers	0.0	0.0	0.0
Disposals	0.0	3.6	3.6
28 February 2010	-588.8	-131.4	-720.2
Net carrying amount as at 28 February 2010	**1,131.7**	**57.4**	**1,189.1**

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

As set out in 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 (impairment-only approach).

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 (CGUs) is compared with their recoverable amount, being the higher of net sales price less selling expenses and value in use (leading value concept at Südzucker). 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 generating units or groups of cash-generating units. Südzucker has determined its CGUs based on its internal reporting structure. In the Südzucker Group these consist of the sugar and fruit operating segments as well as the BENEO, Freiberger and PortionPack divisions.

The carrying amount of each cash generating unit is determined by allocating the operating 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 a cash generating unit is expected to be able to generate. The 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 and 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.

Borrowing costs are calculated as a weighted average of the costs of equity and borrowed capital. The costs of equity are derived from the returns expected by Südzucker shareholders; the borrowing costs are derived from the financing conditions – primarily Südzucker's capital market environment. The target capital structure corresponds to a ratio of 70 % equity to 30 % borrowed capital. The cost of capital rate before rate taxes for the CGUs was between 7.4 % and 7.5 % (9.2 %) in August 2010.

We have assumed a growth rate to perpetuity after the five-year budget period of 1.5 % (unchanged) 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. The investment quotas from the detailed planning period are based on historical experience and take into account the replacement costs for means of production planned in the budget period and necessary investments in working capital to support volume growth.

The carrying amounts of goodwill developed as follows:

€ million 28 February	2011		2010	
CGU Sugar	770.5	68.1 %	770.5	68.1 %
CGU Freiberger	158.9	14.0 %	158.8	14.0 %
CGU BENEO	86.7	7.7 %	86.6	7.7 %
CGU PortionPack	40.3	3.6 %	40.4	3.6 %
CGU Fruit	75.0	6.6 %	75.4	6.7 %
	1,131.4	**100.0 %**	**1,131.7**	**100.0 %**

No impairment was necessary in the 2010/11 financial year resulting from the regular 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 perspective 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 EU sugar policy and its regulatory environment. Here, the key assumptions of corporate planning are the estimates for EU sugar production quantities, the development of sugar imports, sugar revenues, and raw material and energy prices.

After the restructuring phase in the EU sugar market has ended balanced market conditions in the EU sugar market will depend in particular on how imports from ACP countries and LDCs develop in the EU sugar market. These imports are largely dependent on price trends in the global sugar markets and to what extent the EU Commission's safeguards have their intended effect. Pointing to balanced market conditions the EU Commission did not impose any market withdrawals for the 2010/11 and 2011/12 sugar marketing year and has opened world sugar export possibilities for EU sugar to a limited extent.

Concessions, industrial and similar rights

The line item concessions, industrial and similar rights mainly covers purchased IT software, trademarks, customer bases, concessions and similar rights with a limited useful life.

(21) Fixed assets

2010/11 € million	Land, land rights and buildings, including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition costs					
1 March 2010	1,654.0	4,287.0	352.0	65.3	6,358.3
Change in companies incl. in the consolidation/ currency translation/other changes	8.8	16.6	1.1	0.6	27.1
Additions	40.5	106.7	20.8	66.4	234.5
Transfers	14.9	38.3	2.8	-58.5	-2.5
Disposals	-56.4	-115.4	-17.9	-1.2	-190.9
28 February 2011	1,661.8	4,333.2	358.8	72.5	6,426.3
Depreciation and impairment write-downs					
1 March 2010	-765.2	-2,782.9	-258.0	-0.7	-3,806.8
Change in companies incl. in the consolidation/ currency translation/other changes	-3.0	-5.5	-0.2	0.0	-8.7
Depreciation for the year	-42.4	-171.8	-23.0	0.0	-237.2
Impairment losses	-1.0	-2.5	0.0	-0.2	-3.7
Transfers	0.1	-0.1	0.0	0.0	0.0
Disposals	47.2	111.8	15.5	0.3	174.8
Write-ups	0.0	10.2	0.0	0.0	10.2
28 February 2011	-764.3	-2,840.7	-265.8	-0.6	-3,871.4
Net carrying amount at 28 February 2011	**897.5**	**1,492.5**	**93.0**	**72.0**	**2,554.9**

The carrying amount of fixed assets of € 2,554.9 million (€ 2,551.5 million) is slightly higher than the previous year. The changes attributable to foreign currency differences are mainly due to exchange rate gains of the Chilean peso (year-end rate). In total, exchange rate changes led to an increase in fixed assets by € 19.4 million (€ 41.7) million.

The investments in fixed assets were increased to € 234.4 million from € 208.0 million in the previous year. Investments of € 120.0 million (€ 103.3 million) in the sugar segment were mainly for the packaging station in Roye, France, the evaporator station and extraction tower in Plattling, Germany, and replacements. Investments in the special products segment of € 65.1 million (€ 47.7 million) were used for the construction of the pizza factory in Westhoughton, Great Britain and replacement spending. Following the completion of the new construction in Wanze, Belgium, the CropEnergies segment's investments further declined to € 20.3 million (€ 32.7 million). Investments with a volume of € 29.0 million (€ 24.3 million) were made in the fruit segment, among other areas, in the chocolate fruits production in Gleisdorf, Austria, a tunnel for shock-freezing fruit pieces at the site in Mexico, and in a finished goods warehouse in Serpuchov, Russia. Interest on debt capital was recognized in the amount of € 0.1 million (€ 0.0 million). The calculation of the borrowing costs is based on the interest rate of the loan for the investment in question of 3.75 %.

Deductions in carrying amounts (disposals at acquisition cost less depreciation and impairment losses) of € 16.1 million (€ 21.0 million) related to disposals of items of fixed assets from sugar factories which had been closed in previous years in addition to regular disposals of items in fixed assets whose useful lives had expired.

2009/10 € million	Land, land rights and buildings, including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition costs					
1 March 2009	1,551.5	4,082.0	337.5	345.0	6,316.0
Change in companies incl. in the consolidation/ currency translation/other changes	29.9	41.0	5.4	2.5	78.8
Additions	22.1	103.6	17.4	64.9	208.0
Transfers	88.3	236.6	13.9	-343.1	-4.3
Disposals	-37.8	-176.2	-22.2	-4.0	-240.2
28 February 2010	1,654.0	4,287.0	352.0	65.3	6,358.3
Depreciation and impairment write-downs					
1 March 2009	-743.7	-2,750.4	-252.0	-0.7	-3,746.8
Change in companies incl. in the consolidation/ currency translation/other changes	-11.4	-24.4	-2.0	0.0	-37.8
Depreciation for the year	-40.0	-161.2	-22.8	0.0	-224.0
Impairment losses	-2.5	-15.7	-0.4	-0.2	-18.8
Transfers	-0.2	1.4	-1.2	0.0	0.0
Disposals	32.6	166.2	20.3	0.2	219.3
Write-ups	0.0	1.2	0.1	0.0	1.3
28 February 2010	-765.2	-2,782.9	-258.0	-0.7	-3,806.8
Net carrying amount at 28 February 2010	**888.8**	**1,504.1**	**94.0**	**64.6**	**2,551.5**

(22) Shares in companies consolidated at equity, securities, other investments and loans

€ million	Shares in companies consolidated at equity	Securities	Other investments and loans
2010/11			
1 March 2010	19.0	146.2	28.5
Change in companies incl. in the consolidation/ currency translation/other changes	0.0	-0.5	0.1
Additions	0.0	0.0	0.3
Share of profits	4.1	0.0	0.0
Transfers	-4.7	0.0	4.7
Disposals/dividends	-7.3	-40.3	-1.2
Impairment losses	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0
28 February 2011	**11.1**	**105.4**	**32.4**
2009/10			
1 March 2009	76.0	105.1	22.7
Change in companies incl. in the consolidation/ currency translation/other changes	0.1	0.0	5.1
Additions	0.0	41.3	0.3
Share of profits	2.0	0.0	0.0
Transfers	-0.6	0.0	0.6
Disposals/dividends	-58.5	-0.2	-0.2
Impairment losses	0.0	0.0	0.0
Reversals of impairment losses	0.0	0.0	0.0
28 February 2010	**19.0**	**146.2**	**28.5**

(23) Inventories

€ million	28 February	2011	2010
Raw materials and supplies		343.7	300.8
Work in progress and finished goods			
Sugar		977.1	1,099.2
Special products		169.4	151.3
CropEnergies		24.6	27.4
Fruit		102.5	89.5
Total of work in progress and finished goods		1,273.6	1,367.4
Merchandise		91.6	83.1
		1,708.9	**1,751.3**

Inventories were reported at € 1,708.9 million (€ 1,751.3 million), € 42.4 million less than last year. The lower inventory figures in the sugar segment resulting from the reduced sugar production stood in contrast to the increase in inventories in the fruit segment due to price developments.

Write-downs of net disposal proceeds totaling € 5.7 million (€ 17.0 million) and € 0.2 million (€ 1.2 million) were necessary in the special products and fruit segments, respectively; no write-downs were required in 2010/11 in the CropEnergies segment after the € 0.3 million written down last year. There was also € 3.5 million that was incurred for reversals of write-downs in the special products segment.

(24) Trade receivables and other assets

€ million		Remaining term			Remaining term	
28 February	2011	to 1 year	over 1 year	2010	to 1 year	over 1 year
Trade receivables	719.2	719.2	0.0	687.8	687.8	0.0
Receivables due from the EU for export recoveries	9.7	9.7	0.0	9.5	9.5	0.0
Other taxes recoverable	115.3	115.3	0.0	107.9	107.9	0.0
Positive market value derivatives	30.7	30.7	0.0	15.4	15.4	0.0
Other financial assets	140.9	125.4	15.5	79.7	66.7	13.0
Other non-financial assets	93.1	79.5	13.6	74.4	74.4	0.0
	1,108.9	**1,079.8**	**29.1**	**974.7**	**961.8**	**13.0**

Non-financial assets of € 93.1 million (€ 74.7 million) are mainly related to advances made and accrued income.

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

€ million 28 February	2011	2010
Total trade receivables	769.5	738.9
Value adjustment	-50.3	-51.1
Net carrying amount	**719.2**	**687.8**

The development of the allowance account for trade receivables is shown below:

€ million	2010/11	2009/10
Value adjustments at 1 March	**51.1**	**38.0**
Change in companies incl. in the consolidation/currency translation/other changes	-0.3	0.4
Additions	3.5	18.4
Use	-1.2	-2.0
Release	-2.8	-3.7
Value adjustments at 28 February	**50.3**	**51.1**

The following table shows information related to the credit risk associated with the trade receivables. Trade receivables before allowances totaled € 719.2 million (€ 687.8 million); € 547.9 million (€ 527.7 million) of this amount was not yet due.

The aging structure of past-due receivables is as follows:

€ million 28 February	2011	2010
Receivables not past due before allowances	547.9	527.7
Past-due receivables without specific-debt allowances	171.3	160.1
whereof up to 10 days	94.1	79.1
whereof 11 to 30 days	38.4	47.0
whereof 31 to 90 days	21.7	11.3
whereof > 90 days	17.1	22.7
Net carrying amount	**719.2**	**687.8**
Receivables including specific-debt allowances	50.3	51.1
Total trade receivables	**769.5**	**738.9**

With respect to trade receivables that were neither impaired nor in default, there were no indications as of February 28, 2011 that the debtors would not meet their payment obligations. Südzucker mitigates 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.

(25) Shareholders' equity

As of February 28, 2011, the **subscribed capital** is valued at € 189.4 million (unchanged) and consists of 189,353,608 non-par shares, each of which represents a notional holding of € 1.00 per share.

Südzucker International Finance B.V., Oud-Beijerland, Netherlands issued a convertible bond on June 30, 2009 in the nominal amount of € 283.45 million with a term until June 30, 2016. The associated option premium totaling € 51.7 million has been included in the capital reserve. No bondholders have exercised their rights to date.

Other disclosures on shareholders' equity are found in the group management report in the section "Information regarding share capital and impediments to takeover as required by articles 289, para. 4 and 315, para. 4 of the German Commercial Code".

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.

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. Income and expense recognized directly in equity in the statement of comprehensive income is made up as follows:

€ million	2010/11	2009/10
Market value of hedging instruments (cash flow hedge)		
Revaluation not affecting income	14.4	0.7
Realization resulting in a profit or loss	-0.7	6.3
Deferred taxes	-4.0	-2.7
Market value of securities available for sale		
Subsequent valuation	-0.3	0.5
Deferred taxes	0.0	0.0
Exchange differences on net investments in foreign operations		
Subsequent valuation	0.1	13.1
Deferred taxes	0.0	-2.6
Market valuations and exchange differences on net investments	9.5	15.3
Foreign currency translation differences from consolidation	25.4	51.5
Income and expense recognized directly in equity	**34.9**	**66.8**

The decrease in income and expense recognized directly in equity of € 66.8 million to € 34.9 million is primarily due to foreign currency effects from consolidation. Whereas in the previous year the exchange rate gains of the Polish zloty, the Hungarian forint and the Chilean peso (year-end rate) had a great impact, the gains of the Chilean peso were less significant in 2010/11. Correspondingly, the income from exchange differences from net investments in Poland has nearly ceased. Changes from the cash flow hedges not recognized in profit or loss are primarily attributable to the recognition of positive market values for wheat futures and interest rate swaps.

(26) Provisions for pensions and similar obligations

As part of defined contribution retirement benefit plans Südzucker 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 € 34.1 million (€ 33.3 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.

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

Provisions for pensions and similar obligations are calculated actuarially using the projected unit credit method and estimated future trends in accordance with IAS 19 (Employee Benefits).

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

in % 28 February	2011	2010
Discount rate	5.00	5.00
Expected increase in remuneration	2.75	2.50
Expected increase in pension	2.00	2.00
Expected return on plan assets	4.43	4.70

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. In Germany, the biometric calculations are based on the Heubeck 2005 G actuarial tables.

Expense for company pension plans is made up as follows:

€ million	2010/11	2009/10
Current service cost	14.2	9.0
Expenses due to changes in pension commitments and benefits	0.4	0.2
Actuarial losses (+) and gains (-) in the current year recognized	2.7	0.9
Interest cost	27.1	23.9
Expected return on plan assets	-4.5	-0.5
	39.9	**33.5**

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 actual return on plan assets was € 4.8 million.

Movements in the provisions were as follows:

€ million	2010/11	2009/10
Provision at 1 March	**409.2**	**404.5**
Change in companies consolidated (and other)	-18.1	0.2
Pension expenses	39.9	33.5
Contributions to fund assets	-2.4	-0.8
Pension payments during the period	-30.9	-28.2
Provision at 28 February	**397.8**	**409.2**

Pension payments of € 30.9 million were made in the 2010/11 financial year; comparable pension payments of around € 31 million are expected for the 2011/12 financial year.

The development of plan assets is shown below:

€ million	2010/11	2009/10
Plan assets at 1 March	**89.2**	**83.4**
Change in companies consolidated (and other)	15.8	4.8
Expected income on plan assets	4.5	3.4
Actuarial gains and losses	0.3	0.0
Employer contributions to the funds	2.4	2.9
Employee contributions to the funds	0.2	0.0
Payments from plan assets	-6.3	-5.3
Plan assets at 28 February	**106.1**	**89.2**

The plan assets consist of fixed interest securities (69 %) with an associated risk that guarantees long-term fulfillment of the obligations. Equity securities are also included (26 %). The share of property is less than 0.1 %. The remaining plan assets are primarily covered by insurance contracts (approximately 5 %). The fixed-interest securities are guided by the returns expected from government bonds. A guaranteed minimum interest rate is assumed for the insurance contracts. Plan assets do not comprise own financial instruments or owner-occupied property.

The defined benefit obligation changed as follows during the reporting period:

€ million	2010/11	2009/10
Benefit obligations at 1 March	**561.5**	**505.2**
Change in companies consolidated (and other)	14.6	0.7
Current service costs (and other)	14.2	11.1
Interest on benefit rights acquired in previous years	27.1	27.1
Returns on plan assets	0.2	-0.7
Actuarial gains (-)/losses (+)	3.1	47.0
Plan adjustment	1.5	4.4
Plan settlement	-0.7	0.0
Pension payments during the period	-37.1	-33.3
Benefit obligations on 28 February	**584.4**	**561.5**

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

€ million 28/29 February	2011	2010	2009	2008	2007
Defined benefit obligations for direct pension benefits	584.4	561.5	505.2	507.4	549.9
Fair value of plan assets	-106.1	-89.2	-83.4	-95.5	-95.7
Obligations not covered by plan assets	478.3	472.3	421.8	411.9	454.2
Unamortized actuarial gains and losses	-79.1	-63.1	-17.3	-10.2	-55.3
Past service cost	-1.4	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	**397.8**	**409.2**	**404.5**	**401.7**	**398.9**
Discount rate in %	5.00	5.00	5.50	5.50	4.50

Of the defined benefit obligation of € 584.4 (561.5) million, € 98.9 (74.3) million are in part or completely funded. Last year's adjustment amount due to actuarial gains and losses included an overfunding of plan assets by € 16.2 million. The development of actuarial gains and losses also includes variations not related to changes in assumptions; these relate to the defined benefit obligation with € -0.3 million (2009/10 € -1.0 million; 2008/09 € -1.2 million) and to plan assets with € 0.1 million (2009/10 € 2.8 million; 2008/09 € -4.4 million).

(27) Movements in other provisions

€ million	Personnel-related provisions	Other provisions	Total
Status as at 1 March 2009	**75.2**	**217.3**	**292.5**
Change in companies incl. in the consolidation/ currency translation/other changes	-0.8	0.0	-0.8
Additions	18.8	129.5	148.3
Use	-11.3	-48.5	-59.8
Release	-6.7	-17.8	-24.5
Status as at 28 February 2010	**75.2**	**280.5**	**355.7**

Personnel-related provisions of € 75.2 million are primarily made up of largely non-current provisions for long-service awards, provisions for part-time early retirement and largely short-term provisions for termination benefit plans and are at the same level as last year (€ 75.2 million). Of the total amount of € 75.2 million, € 24.8 million is expected to be used in 2011/12 with the remaining € 50.4 million to be used in subsequent years.

Other provisions rose, from € 217.3 million to € 280.5 million. These are mainly related to the largely non-current provisions for dismantling obligations, non-current and short-term provisions for litigation risk and risks arising from EU sugar market regulation, short-term provisions for risks associated with additional sales tax payments for sugar deliveries to Italy (in 1994-1995) and environmental risks. The category is also used to disclose provisions for recultivation and other environmental obligations. The use of these provisions is expected to total € 163.3 million in the 2011/12 financial year and € 117.2 million in subsequent years.

(28) Trade payables and other liabilities

€ million		Remaining term			Remaining term	
28 February	2011	to 1 year	over 1 year	2010	to 1 year	over 1 year
Liabilities to beet growers	**372.0**	372.0	0.0	**417.5**	417.5	0.0
Liabilities to other trade payables	**441.7**	441.7	0.0	**389.9**	389.9	0.0
Trade payables	**813.7**	813.7	0.0	**807.4**	807.4	0.0
Liabilities for production levy	**8.4**	8.4	0.0	**24.9**	24.9	0.0
Liabilities for personnel expenses	**103.5**	102.4	1.0	**96.5**	95.4	1.1
Liabilities for other taxes and social security contributions	**38.0**	38.0	0.0	**39.6**	39.6	0.0
Negative market value derivatives	**17.6**	17.6	0.0	**15.3**	15.3	0.0
Other liabilities	**208.2**	194.9	13.3	**215.3**	201.7	13.6
On-account payments received on orders	**4.4**	4.4	0.0	**8.5**	8.5	0.0
	1,193.8	**1,179.4**	**14.3**	**1,207.5**	**1,192.8**	**14.7**

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

Other liabilities also include liabilities for outstanding invoices.

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

€ million		Remaining term			Remaining term	
28 February	2011	to 1 year	over 1 year	2010	to 1 year	over 1 year
Bonds	**772.0**	526.5	245.5	**1,063.3**	311.4	751.9
(of which convertible)	**238.8**	0.0	238.8	**231.8**	0.0	231.8
Liabilities to banks	**587.4**	285.3	302.1	**696.2**	329.6	366.6
Liabilities from finance leasing	**0.3**	0.1	0.2	**0.5**	0.1	0.4
Financial liabilities	**1,359.7**	**811.9**	**547.8**	**1,760.0**	**641.1**	**1,118.9**
Securities (non-current assets)	-105.4			-146.2		
Securities (current assets)	-150.8			-191.3		
Cash and cash equivalents	-250.0			-357.3		
Net financial debt	**853.5**			**1,065.2**		

Gross financial liabilities were lowered by € 400.3 million from € 1,760.0 million to € 1,359.7 million. Investments in securities and cash and cash equivalents decreased, moving from € 694.8 million to € 506.2 million. The corresponding decrease in net financial debt by € 211.7 million to € 853.5 million (€ 1,065.2 million) is primarily attributable to improved operating profit. Of the financial debt totaling € 1,395.7 million, € 547.8 million, or 39.3 %, is available to the Südzucker Group in the long-term.

Südzucker is an active participant in the international capital markets and uses the following financial instruments for financing purposes:

- Hybrid equity capital
- Convertible bonds
- Bonds and promissory notes
- Commercial paper (CP program)

A syndicated line of credit is available as a complement to the CP program for seasonal campaign financing. Bank credit lines are also accessed to a limited extent for longer-term financing.

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. As was the case last year, due to considerably lower net debt, no commercial paper was issued as of the balance sheet date February 28, 2011.

There is 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, 2011 no funds had been accessed. No funds were accessed in previous year either.

The financial instruments are generally issued centrally via the group financing company Südzucker International Finance B.V., Amsterdam, Netherlands, and used throughout the group.

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).

See the section "Financial management" in the management report for information on how the Südzucker Group manages capital.

Bonds

€ million 28 February 2011	Due date	Coupon	Carrying amount	Fair value	Nominal value
Südzucker Finance B.V. bond	27.02.12	5.75 %	499.6	517.9	500.0
Convertible bond	30.06.16	2.50 %	238.8	362.8	283.5
Other bonds			33.6	33.6	33.6
Bonds			**772.0**	**914.3**	**817.1**

On June 30, 2009, Südzucker International Finance B.V. placed a **convertible bond,** which is guaranteed by Südzucker AG and can be converted to shares of Südzucker. The convertible bond has an issue volume of € 283.45 million, a term of seven years and carries a coupon rate of 2.50 % per annum. Based on the initial conversion price, the bond can therefore be converted to up to 15 million Südzucker shares. The option premium recognized in equity was € 51.7 million; the debt capital portion is reported at € 238.8 million under non-current financial liabilities.

There is also a **bond** with a nominal value of € 500 million and coupon of 5.75 %, which matures on February 27, 2012. **Other bonds** having a nominal value of € 33.6 million (€ 32.4 million) and bearing interest at an average of 2.50 % (2.17 %) were issued by Raffinerie Tirlemontoise S.A., Brussels, Belgium, and mature in 2012 through 2017. In total, the face value of all bonds at the balance sheet date was € 817.1 million and their fair value was € 914.3 million. Of all bonds with a combined carrying amount of € 772.0 million, € 765.3 million was for fixed-interest bearing bonds and € 6.7 million was for floating-rate bonds. On June 8, 2010 a bond with a nominal value of € 300 million was redeemed.

Liabilities to banks

€ million		Remaining term			Remaining term		Average effective rate of interest in %	
28 February	2011	to 1 year	over 1 year	2010	to 1 year	over 1 year	2010/11	2009/10
Fixed coupon								
EUR	292.9	35.8	257.1	338.3	132.5	205.8	4.03	3.70
USD	8.0	8.0	0.0	0.0	0.0	0.0	1.91	0.00
PLN	0.0	0.0	0.0	0.3	0.3	0.0	0.00	2.34
Total	**300.9**	**43.8**	**257.1**	**338.6**	**132.8**	**205.8**	**3.94**	**3.70**
Variable interest rate								
EUR	224.5	179.5	45.0	264.7	104.1	160.6	3.03	3.11
BAM	0.5	0.5	0.0	0.0	0.0	0.0	5.35	0.00
BGL	0.3	0.3	0.0	0.0	0.0	0.0	5.35	0.00
CNY	0.0	0.0	0.0	8.6	8.6	0.0	0.00	5.38
GBP	2.6	2.6	0.0	3.6	3.6	0.0	0.00	1.52
HUF	30.0	30.0	0.0	32.2	32.0	0.2	6.87	6.64
KRW	1.0	1.0	0.0	1.0	1.0	0.0	5.42	4.90
PLN	7.6	7.6	0.0	11.7	11.7	0.0	5.49	5.33
RON	0.0	0.0	0.0	7.7	7.7	0.0	0.00	11.80
USD	20.0	20.0	0.0	28.1	28.1	0.0	1.31	1.47
Total	**286.5**	**241.5**	**45.0**	**357.6**	**196.8**	**160.8**	**3.29**	**3.60**
Liabilites to banks	**587.4**	**285.3**	**302.1**	**696.2**	**329.6**	**366.6**	**3.50**	**3.65**

Liabilities to banks at the balance sheet date were € 587.4 million (€ 696.2 million) with an average interest of 3.50 % (3.65 %); this item also includes a borrower's note loan due April 15, 2014 with a volume of € 150.5 million, € 105.0 million of which has a floating rate (six-month Euribor plus 320 basis points) and € 45.5 million is fixed-interest bearing (5.9 %). Of these liabilities to banks, € 300.9 million (€ 338.6 million) were fixed-interest and € 286.5 million (€ 357.6 million) were variable. At February 28, 2011 liabilities to banks of € 2.0 million (€ 3.8 million) were secured by mortgage rights and € 22.0 million (€ 22.2 million) by other mortgage rights.

Of the **liabilities from finance leases** of € 0.3 million (€ 0.5 million), € 0.1 million (unchanged) is due within one year and € 0.2 million (€ 0.4 million) is due between one and five years. The leased assets (buildings, technical equipment and machinery) are included in fixed assets at carrying amounts totaling € 0.3 million (€ 0.5 million). The nominal value of minimum lease payments totaled € 0.4 million (€ 0.6 million).

€ 250 million of the investments in **securities** totaling € 256.2 million (€ 337.5 million) was in fixed-interest securities. **Cash and cash equivalents** decreased year-on-year by € 107.3 million from € 357.3 million to € 250.0 million. As part of daily treasury management, these funds are invested in standard money market overnight and time deposits. The cash and cash equivalents and securities were used for the beet cash payments outstanding in March 2011. Last year they were used for the increased cash on hand and for the purpose of refinancing the Südzucker bond with a nominal value of € 300 million due in June 2010.

(30) 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 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 primarily arising from sales of sugar, Isomalt, Palatinose™, Raftiline/Raftilose and fruit juice concentrates/fruit preparations in US dollars, as well as purchases of raw sugar and raw alcohol in US dollars. Other currency risks arise from the financing of Eastern European companies in euro-based loans.

Commodity price risks result in particular from changes to the world sugar market price, energy, grain, bioethanol and fruit prices.

Only normal market instruments are used for hedging purposes, such as interest rate swaps, interest rate swap futures, and forex futures. Sugar, wheat and corn futures and bioethanol and petroleum swaps are also used. 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 February	2011	2010	2011	2010	2011	2010
Interest rate swaps	192.2	212.4	-2.4	-3.5	1.0	1.9
Interest rate swap futures	200.0	0.0	8.2	0.0	8.2	0.0
Forex futures	177.7	291.3	0.4	-0.8	1.5	4.6
Sugar futures	46.4	140.5	-0.3	5.9	0.0	5.9
Wheat and corn futures contracts	75.0	21.6	5.4	-1.5	5.5	0.0
Bioethanol swaps	167.6	71.0	0.0	0.0	12.7	3.0
Petroleum swaps	6.1	4.5	1.8	0.1	1.8	0.1
Total	**865.0**	**741.3**	**13.1**	**0.2**	**30.7**	**15.4**

The nominal volume of interest rate swaps in the 2010/11 financial year was € 192.2 million (€ 212.4 million), slightly less than a year earlier. This includes, among other things, the fixing of the interest rate level for the floating rate portion of the borrower's note loan of € 105.5 million.

In view of the loan with a nominal value of € 500 million maturing on February 27, 2012, Südzucker took advantage of the low interest rate level in the 2010/11 financial year and hedged risk with an interest rate swap future for a follow-up financing volume of € 200 million.

The year-on-year decrease in the nominal volume of forex futures by € 113.6 million to € 177.7 million (€ 291.3 million) is primarily attributable to the lower hedging volume of sales proceeds in US dollars. The volume of physical sugar exports at the balance sheet date was considerably higher than last year, and the volume of forex futures on open customer contracts correspondingly lower.

The nominal volume of sugar futures decreased by € 94.1 million to € 46.4 million (€ 140.5 million) because, compared to last year, more sugar export quantities from the last campaign were already contracted with customers at the balance sheet date.

The increase in the nominal volume of wheat and corn futures contracts by € 53.4 million to € 75.0 million (€ 21.6 million) largely resulted from the expansion of wheat futures contracts, especially due to increased bioethanol production quantities at the Belgian location in Wanze.

The bioethanol swaps concerned bioethanol sales contracts based on variable energy prices, and were expanded considerably in volume. The price risk associated with such transactions is minimized using a counteracting hedging instrument. The nominal volume of customer hedges and the counteracting hedging instrument totaled € 167.6 million (€ 71.0 million). Here, underlying and hedging transactions form a closed item. The market values from customer contracts totaling € 12.7 million (€ 3.0 million) are offset with the market values from hedging instruments totaling € -12.7 million (€ -3.0 million).

The oil swaps with a nominal volume of € 6,1 million (€ 4.5 million) are used to hedge the price of physical energy purchases for the production of inulin and oligofructose at the BENEO-Orafti site in Pemuco, Chile.

The currency and commodity derivatives hedge cash flows for up to one year, and the interest rate swaps hedge financing requirements for between one and eight 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 value as at February 28, 2011 was € 13.6 million (€ 1.1 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 %. No ineffective transactions were recognized in the income statement.

In response to an increase of one percentage point in the market interest rate as well as an exchange rate gain (US dollar, British pound sterling, Australian dollar, Polish zloty, Czech koruna, Romanian leu and Hungarian forint), an increase in prices for wheat, corn and petroleum, or a reduction in prices for sugar and bioethanol by 10 % (respectively), the market value of the derivatives contracts entered into as at February 28, 2011 would change as follows (sensitivity):

€ million	Nominal volume		Fair value		Sensitivity		Change in fair value	
28 February	2011	2010	2011	2010	2011	2010	2011	2010
Interest rate swaps	192.2	212.4	-2.4	-3.5	3.7	3.8	6.1	7.3
Interest rate swap futures	200.0	0.0	8.2	0.0	18.0	0.0	9.8	0.0
Forex futures	177.7	291.3	0.4	-0.8	-5.5	0.9	-5.9	1.7
Sugar futures	46.4	140.5	-0.3	5.9	-1.2	-8.0	-0.9	-13.9
Wheat and corn futures contracts	75.0	21.6	5.4	-1.5	13.4	2.0	8.0	3.5
Bioethanol swaps	167.6	71.0	0.0	0.0	0.0	4.5	0.0	4.5
Petroleum swaps	6.1	4.5	1.8	0.1	4.1	0.4	2.3	0.3
Total	**865.0**	**741.3**	**13.1**	**0.2**	**32.5**	**3.6**	**19.4**	**3.4**

These mark-to-market changes would have increased equity by € 19.8 million (€ 1.4 million) and decreased earnings before income taxes by € 0.5 million (€ -5.0 million).

Other explanatory notes

(31) 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 February € million	IAS 39 measurement category	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Financial assets					
Securities - Held for Trading	FAHfT	109.5	109.5	143.9	143.9
Securities – Available for Sale	AfS	19.3	19.3	11.4	11.4
Securities and other investments – Available for Sale (at Cost)	AfS at Cost	159.8	159.8	209.6	209.6
Loans (long term)	LaR	0.0	0.0	1.2	1.2
Receivables due from the EU for export recoveries	LaR	9.7	9.7	9.5	9.5
Trade receivables	LaR	719.2	719.2	687.8	687.8
Other financial assets	LaR	140.9	140.9	79.7	79.7
Positive fair values - interest rate swaps with a hedging relationship	n. a.	8.2	8.2	0.0	0.0
Positive fair values - forex futures without a hedging relationship	FAHfT	0.3	0.3	0.0	0.0
Positive fair values - forex futures with a hedging relationship	n. a.	0.1	0.1	1.8	1.8
Positive fair values - commodity derivatives without a hedging relationship	FAHfT	0.5	0.5	3.2	3.2
Positive fair values - commodity derivatives with a hedging relationship	n. a.	6.7	6.7	1.3	1.3
Cash	LaR	250.0	250.0	357.3	357.3
		1,424.2	**1,424.2**	**1,501.7**	**1,501.7**
Financial liabilities					
Bonds	FLAC	772.0	914.3	1,063.3	1,203.1
Liabilities to banks	FLAC	587.4	589.7	696.2	700.3
Liabilities from finance leasing	n. a.	0.3	0.3	0.5	0.5
Trade liabilities	FLAC	813.7	813.7	807.4	807.4
Liabilities from production levy	FLAC	8.4	8.4	24.9	24.9
Other liabilities	FLAC	208.2	208.2	215.3	215.3
Negative market values – interest rate derivatives without a hedging relationship	FLHfT	1.0	1.0	1.5	1.5
Negative market values – interest rate derivatives with a hedging relationship	n. a.	1.4	1.4	2.0	2.0
Negative market values – currency derivatives without a hedging relationship	FLHfT	0.0	0.0	2.6	2.6
Negative fair values - commodity derivatives without a hedging relationship	FLHfT	0.3	0.3	0.0	0.0
		2,392.8	**2,537.4**	**2,813.7**	**2,957.6**

Total by IAS 39 measurement category

28 February € million	IAS 39 measurement category	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Financial Assets Held for Trading	FAHfT	110.3	110.3	147.1	147.1
Available for Sale	AfS	19.3	19.3	11.4	11.4
Available for Sale at Cost	AfS at Cost	159.8	159.8	209.6	209.6
Loans and Receivables	LaR	1,119.8	1,119.8	1,135.5	1,135.5
Financial Liabilities Measured at Amortised Cost	FLAC	2,389.8	2,534.4	2,807.1	2,951.0
Financial Liabilities Held for Trading	FLHfT	1.3	1.3	4.1	4.1

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.

For financial instruments measured at fair value a distinction is made between three measurement levels with regard to the determination of the fair values. At Level 1 the measurement is based on unadjusted prices on active markets. Level 2 measurement takes place using prices derived from prices on active markets. Level 3 uses individual measurement parameters as a basis. The Südzucker Group currently does not apply Level 3 in the measurement of financial instruments.

Non-current investments and non-current as well as current securities include securities available for sale. These are measured at market values equal to prices quoted on an exchange as at the balance sheet date (Level 1).

Current securities held for trading are also measured at market values corresponding to the prices quoted on an exchange as at the balance sheet date (Level 1).

Fair values could not be determined for the non-current and current assets measured at cost and investments 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 and cash funds, it is assumed that their fair values are equal to their carrying amounts.

The positive and negative market values of currency and commodity derivatives are related in part to cash flow hedges. These are used to hedge future cash flows from firm commitments or from highly probable future transactions against fluctuations. There are also currency and commodity derivatives in the form of fair value hedges against changes in the fair value of an asset or liability that are recognized in the income statement. The market value of commodity derivatives (sugar, wheat and corn futures and petroleum and bioethanol swaps) is determined on the basis of prices quoted as at the reference date (Level 1); the positive market value of these derivatives was € 7.0 million (€ 4.5 million). Forex futures are measured on the basis of reference rates, taking forward premiums or discounts into consideration (Level 2). The interest rate derivatives contracts entered into with negative market values are classified in part as held for trading and also relate to cash flow hedges. The market values of these interest rate hedging transactions were determined on the basis of discounted expected future cash flows (Level 2). The market values of currency and interest rate derivatives subject to Level 2 totaled € 6.1 million (€ -4.3 million).

€ million	Fair value hierarchy					
28 February	2011	Evaluation level 1	Evaluation level 2	2010	Evaluation level 1	Evaluation level 2
Securities	**128.8**	**128.8**	**0.0**	**155.3**	155.3	0.0
Derivatives (market values)	**13.1**	7.0	6.1	**0.2**	4.5	-4.3

For trade payables, liabilities related to the production levy and 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	2010/11	2009/10
Financial Assets Held for Trading (FAHfT)	6.7	19.2
Available for Sale (AfS)	0.9	1.1
Loans and Receivables (LaR)	35.7	25.4
Financial Liabilities Measured at Amortised Cost (FLAC)	-82.5	-104.6
Financial Liabilities Held for Trading (FLHfT)	-1.3	-4.1
	-40.5	**-63.0**

In accordance with IFRS 7, net profit or loss from financial instruments includes interest, dividends and gains or losses on the measurement of financial instruments. The net profit or loss from the measurement category financial liabilities measured at amortized cost (FLAC) exclusively comprises interest expense. The measurement category loans and receivables (LaR) includes interest income totaling € 32.0 million (€ 42.8 million).

(32) Risk management within the Südzucker Group

The Südzucker Group is exposed to market price risk in its **operations,** primarily for sugar exports, bioethanol sales, energy procurement and grain and corn purchases. The group is also subject to loan default risk (default and credit risks) and liquidity risk. **Financial risks** include interest rate risk and currency risk arising from financing in foreign currencies. Investment securities, which are subject to equity price risk, are immaterial in the Südzucker Group.

Credit risk management

The receivables of the Südzucker group are primarily due from companies in the food industry, the chemical industry and in retail.

Outstanding or uncollectible receivables can have a negative impact on the success of the Südzucker Group. Südzucker has early warning systems in place to monitor potential bad debts.

The principles of credit risk management in the Südzucker Group are:

- Creditworthiness checks for potential new customers and continuous monitoring of the credit rating of existing customers
- Taking out commercial credit insurance policies for each customer as part of an international credit insurance program that can be supplemented as needed with additional securities such as bank guarantees or letters of credit
- System-based credit limit checks for each order in the operational systems
- Standardized dunning

Each operational unit is responsible for implementing and monitoring the corresponding processes.

The operating units also compile a credit risk report on a monthly basis and the information is consolidated at the group level. This permits the tracking of the development of key indicators such as day sales outstanding (DSO), age structure of the receivables or type of credit enhancements within the scope of credit risk monitoring.

Allowances are recognized to cover 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 and receivables for which specific debt allowances have been recognized are disclosed in note (24) of the notes to the financial statements.

Counterparty risk exists when there is excess liquidity. The main criterion for the selection of a bank as a business partner is its short-term deposit rating, which is reviewed regularly.

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 management

The main objective of liquidity management is to ensure solvency at all times, guarantee the ability to meet contractual payment obligations on time, and optimize costs within the Südzucker Group.

Within the scope of cash and liquidity management Südzucker International Finance B.V., Oud-Beijerland, Netherlands, is the central corporate financing company for the Südzucker Group, which makes the borrowed funds available to the group companies. There are also cash pools between principal group companies.

There are specific rules for investments with regard to counterparty risk, requirements for maturities and reporting to the group headquarters. The monitoring of plan assets for the financing of pension obligations is also included here.

Risks resulting from cash flow fluctuations are recognized early on as part of liquidity planning. 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 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.

Long-term financing is primarily carried out by issuing convertible bonds, fixed-rate bonds and with notes.

See note (29) "Financial liabilities, securities and cash and cash equivalents (net financial debt)" for details on financial instruments used by Südzucker.

The credit lines of the Südzucker Group total € 2,229 million (€ 2,434 million). Included here is the CP program with a total line of € 600 million and a syndicated line of credit agreed with a group of underwriting banks in the amount € 600 million until July 2012. As in the previous year, both lines were unused as of February 28, 2011. € 587 million (€ 677 million) has been drawn against the remaining credit lines with banks totaling € 1,029 million (€ 1,234 million). Both the credit lines and the amounts drawn against them also include bank guarantees.

The following summary shows the due dates of liabilities as at February 28, 2011. All outgoing payment flows are undiscounted and comprise interest and principal payments.

28 February 2011 € million	Carrying amount	Net cash outflow (as contracted) Total	to 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	over 5 years
Financial liabilities								
Bonds	772.0	847.0	563.4	7.3	7.3	7.3	7.3	254.4
Liabilities to banks	587.4	627.0	298.0	54.7	24.8	225.6	11.1	12.8
Liabilities from finance leasing	0.3	0.4	0.1	0.1	0.1	0.1	0.0	0.0
	1,359.7	**1,474.4**	861.5	62.1	32.2	233.0	18.4	267.2
Trade payables and other liabilities								
Liabilities to beet growers	372.0	372.0	372.0	0.0	0.0	0.0	0.0	0.0
Trade payables	441.7	441.7	441.7	0.0	0.0	0.0	0.0	0.0
Liabilities for restructuring levy	8.4	8.4	8.4	0.0	0.0	0.0	0.0	0.0
Other liabilities	208.2	208.2	194.9	13.3	0.0	0.0	0.0	0.0
Interest rate derivatives (cash out)	-.-	23.0	6.5	5.5	4.2	2.6	1.1	3.1
Interest rate derivatives (cash in)	-.-	-10.6	-3.8	-2.9	-1.6	-1.0	-0.3	-1.0
Forex futures (cash out)	-.-	177.7	177.7	0.0	0.0	0.0	0.0	0.0
Forex futures (cash in)	-.-	-177.7	-177.7	0.0	0.0	0.0	0.0	0.0
	1,030.3	**1,042.7**	1,019.7	15.9	2.6	1.6	0.8	2.1
	2,390.1	**2,517.1**	**1,881.2**	**78.0**	**34.8**	**234.6**	**19.2**	**269.3**

28 February 2010 € million	Carrying amount	Net cash outflow (as contracted) Total	to 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	over 5 years
Financial liabilities								
Bonds	1,063.3	1,195.9	366.9	551.5	7.2	7.2	7.2	255.8
Liabilities to banks	696.2	764.3	359.0	77.0	55.2	25.2	232.3	15.7
Liabilities from finance leasing	0.5	0.6	0.2	0.1	0.1	0.1	0.1	0.0
	1,760.0	**1,960.8**	726.1	628.6	62.5	32.5	239.6	271.5
Trade payables and other liabilities								
Liabilities to beet growers	417.5	417.5	417.5	0.0	0.0	0.0	0.0	0.0
Trade payables	389.9	389.9	389.9	0.0	0.0	0.0	0.0	0.0
Liabilities for restructuring levy	24.9	24.9	24.9	0.0	0.0	0.0	0.0	0.0
Other liabilities	215.3	215.3	201.7	13.6	0.0	0.0	0.0	0.0
Interest rate derivatives (cash out)	-.-	29.1	6.3	6.3	5.5	4.2	2.6	4.2
Interest rate derivatives (cash in)	-.-	-12.1	-3.3	-3.3	-2.6	-1.3	-0.8	-0.8
Forex futures (cash out)	-.-	291.3	291.3	0.0	0.0	0.0	0.0	0.0
Forex futures (cash in)	-.-	-291.3	-291.3	0.0	0.0	0.0	0.0	0.0
	1,047.6	**1,064.6**	1,037.0	16.6	2.9	2.9	1.8	3.4
	2,807.6	**3,025.4**	**1,763.1**	**645.2**	**65.4**	**35.4**	**241.4**	**274.9**

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.

Foreign currency risk management

Currency risk arises 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 Hungarian forint, the Romanian leu, the Ukrainian hryvnia and/or the Russian rouble. There are also risks associated with US dollar/Chilean peso exchange rates.

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

In the sugar segment, world market sugar exports are subject to US dollar 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 US dollars. 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 US dollars for which the underlying production costs are mostly incurred in euros and Chilean pesos. 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

Sensitivity € million	2010/11	2009/10
U.S. dollar (USD)	-19.6	-13.3
British pound (GPB)	-4.1	-3.0
Romanian leu (RON)	-9.2	-8.3
Hungarian forint (HUF)	12.9	10.7
Ukrainian hryvna (UAH)	1.9	2.2
Russian rouble (RUB)	2.0	2.7
Polish zloty (PLN)	4.0	2.9
	-12.1	**-6.1**

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

Group financing in the 2010/11 financial year generated currency translation losses of € -1.0 million (€ 24.0 million), which are made up as follows:

Foreign currency exchange gain/loss (financing)

€ million	2010/11	2009/10
Polish zloty (PLN)	-0.1	16.6
Romanian leu (RON)	-1.7	2.0
Hungarian forint (HUF)	0.4	5.4
British pound (GPB)	1.2	0.0
U.S. dollar (USD)	-1.0	0.0
Remaining currencies	0.2	0.0
	-1.0	**24.0**

If the currencies of the following countries had dropped by 10 % compared to the euro as of February 28, 2011, financial results would have been lower by the following amounts:

Currency risks in financing activities

Sensitivity € million	2010/11	2009/10
Polish zloty (PLN)	-7.8	-7.3
Romanian leu (RON)	-4.4	-4.1
Hungarian forint (HUF)	-0.1	-1.6
Ukrainian hryvna (UAH)	-0.5	0.0
Russian rouble (RUB)	-0.9	-0.8
	-13.7	**-13.8**

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

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

Interest rate risk management

Südzucker is exposed to interest rate risk from floating rate financial liabilities, i.e. financial investments. Interest rate swaps and futures are used to minimize interest rate risk.

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:

Most bonds and long-term bank debt are agreed with fixed interest rates. Had market interest rates increased by one percentage point applied to floating rate financial instruments as at February 28, interest costs would have increased as follows:

Interest rate sensitivity € million	2010/11			2009/10		
	Total	Thereof with floating rate	Effect from interest rate sensitivity	Total	Thereof with floating rate	Effect from interest rate sensitivity
Bonds	**772.0**	6.7	-0.1	**1,063.3**	20.7	-0.2
Liabilities to banks	**587.4**	286.5	-2.9	**696.2**	357.6	-3.6
Total	**1,359.4**	**293.2**	**-3.0**	**1,759.5**	**378.3**	**-3.8**

Operational risk management

Südzucker is exposed to material risks on the supply and demand side arising from price volatility in the commodity markets. These risks are monitored on a regular basis. Sensitivity analyses and the "earnings at risk" model are used to measure risk.

The objective is to analyze the future-oriented development of market prices of individual risk carriers. These projections are based on statistical analyses of past market price developments, with the market prices from the last twelve months used as a basis within the scope of the respective measurement.

Open sales or procurement items are measured on the basis of these market price developments. "Earnings at risk" provides evidence that there is a certain degree of probability that the change in the sales or procurement value of the risk carrier's outstanding quantity for a defined holding period will not rise above or fall below the current level by a specified amount.

Südzucker calculates based on a probability of 95 % and a holding period of one month as within this period all open positions can be closed with hedge transactions. Accordingly, risk reporting takes place on a monthly basis. The material risk carriers that have been identified in the Südzucker Group are market prices related to the export of sugar (including the associated currency risk), the sale of bioethanol, and the procurement of energy and grain.

(33) Contingent liabilities and other financial commitments

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

€ million	28 February	2011	2010
Guarantees		41.5	48.7
Warranty commitments		1.6	1.6

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.

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 by nature 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.

Purchase orders for fixed assets in the amount of € 38.4 million (€ 39.2 million) are primarily for expenditures required at sugar factories in preparation for the next campaign.

The liabilities from operating leases are related to lease agreements for offices, machines, vehicles, IT systems and office equipment. The due dates for the minimum lease payments are as follows:

€ million 28 February	2011	2010
Due date: 1 year	10.9	28.1
Due date: 1-5 years	17.2	14.3
Due date: over 5 years	2.9	6.8
	31.0	**49.2**

(34) Fees for services by the group's external auditors

Fees in 2010/11 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 assurance services totaled € 0.1 million (€ 0.0 million). Fees for tax advisory services amounted to € 0.0 million (unchanged). Thus the total cost incurred for services provided by the group's external auditors was € 0.9 million (unchanged).

(35) Declaration of compliance per Section 161 AktG

The executive board and supervisory board of Südzucker AG issued the declaration of compliance relating to the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) on November 25, 2010, and made it permanently available to shareholders on the Internet via the company website at www.suedzucker.de/en/Investor-Relations/Corporate-Governance/Entsprechenserklaerung/.

The executive board and supervisory board of CropEnergies AG issued the declaration of compliance relating to the German Corporate Governance Code in accordance with Section 161 AktG on December 20, 2010, and made it permanently available to shareholders on the CropEnergies website at www.cropenergies.com/en/investorrelations/Corporate_Governance/Entsprechenserklaerungen/Entsprechenserklaerung_2010/.

(36) Related parties

A related party, as defined in IAS 24 (Related Party Disclosures), is Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Stuttgart (SZVG), which has a majority interest in Südzucker AG by means of its own holding of Südzucker shares, and those shares held by it on trust for its 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 2010/11 were cash received from dividends and business transactions. There is an agreement to pay interest on the balances on these accounts at normal market rates. Südzucker AG had liabilities to SZVG of € 1.5 million (€ 1.3 million) and to SUW of € 6.2 million (€ 6.3 million) at February 28, 2011.

Südzucker AG and its subsidiaries maintain business relationships with many companies in the ordinary course of business. Among these are joint ventures and companies consolidated at equity that qualify as related parties. 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	2010/11	2009/10
Joint ventures	71.4	26.7
Companies consolidated at equity	277.5	310.2
Services performed for related parties	**348.9**	**336.9**
Joint ventures	78.8	61.4
Companies consolidated at equity	0.2	0.8
Services received from related parties	**79.0**	**62.2**

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

€ million 28 February	2011	2010
Joint ventures	49.1	33.9
Companies consolidated at equity	60.9	61.1
Receivables from related parties	**110.0**	**95.0**
Joint ventures	33.5	34.7
Companies consolidated at equity	1.0	0.0
Liabilities to related parties	**34.5**	**34.7**

The total compensation granted to members of the executive board by Südzucker AG for 2010/11 amounted to € 2.6 million (€ 2.9 million). The variable component made up 43 % (38 %) 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 € 1.3 million (€ 1.0 million).

Provisions for pensions of € 24.5 million (€ 25.9 million) relate to former members of Südzucker AG's executive board and their dependents. Provisions for pensions for current executive board members amounted to € 14.5 million (€ 12.1 million). Additions in 2010/11 amounted to € 2.4 million (€ 1.6 million). Pension payments to former members of Südzucker AG's executive board and their dependents amounted to € 2.6 million (€ 2.5 million).

Total remuneration paid to Südzucker AG's supervisory board for all activities was € 1.6 million (€ 1.3 million) in 2010/11; € 0.2 million (unchanged) of this amount was granted by subsidiaries.

The remuneration system for the executive board and supervisory board is discussed in the management report in the corporate governance report/declaration regarding corporate management.

(37) 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 Vermögensverwaltung reg. Gen.m.b.H., Vienna, Austria
Siemens Österreich AG, Vienna, Austria (Deputy chairman)
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

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

Board memberships[1]
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)
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt

Ludwig Eidmann[1]
Groß-Umstadt
Chairman of the executive board of SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG and Chairman of the Association of Hessisch-Pfälzischen Zuckerrübenanbauer e.V.

Dr. Jochen Fenner
Gelchsheim
Chairman of the Association of Fränkischer 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.

Hans Hartl[3]
Ergolding
State area chairman of Gewerkschaft Nahrung-Genuss-Gaststätten in Bavaria

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

Reinhold Hofbauer[3]
Deggendorf
Chairman of the works council of the Plattling plant of Südzucker AG Mannheim/Ochsenfurt

[1] Memberships in addition to functions in the Südzucker Group.
[2] Memberships in addition to functions in the Südzucker Group and in the Raiffeisen-Holding Niederösterreich-Wien Group.
[3] Employee representative.

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

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

Georg Koch
Wabern
Chairman of the executive board of the Association of Zuckerrübenanbauer Kassel e.V.

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]
Gütersloh
Divisional officer of the Food and Catering Union

Dr. Arnd Reinefeld[3]
Offstein
Until February 28, 2011
Manager of the Offenau and Offstein plants of Südzucker AG Mannheim/Ochsenfurt

Joachim Rukwied
Eberstadt
President of the State Farmers' Association (Landesbauernverband) in Baden-Württemberg e. V.

Board memberships
AGRA-EUROPE Presse- und Informationsdienst GmbH, Bonn
Cost center of the State Farmers' Association (Landesbauernverband) 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

Wolfgang Vogl
Bernried
Since March 1, 2011
Manager of the Plattling and Rain plants of Südzucker AG Mannheim/Ochsenfurt

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

[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
Reinhold Hofbauer (from May 27, 2010)
Klaus Kohler
Erhard Landes
Dr. Arnd Reinefeld (until February 28, 2011)
Roland Werner (until May 26, 2010)

Audit Committee

Ludwig Eidmann (Chairman)
Manfred Fischer
Dr. Hans-Jörg Gebhard
Erwin Hameseder
Franz-Josef Möllenberg
Roland Werner

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. Wolfgang Heer (spokesman)
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
Spanische Hofreitschule – Bundesgestüt Piber, Vienna, Austria (Chairman)
TÜV Österreich, Vienna, Austria (Chairman)
Universität für Bodenkultur, Vienna, Austria

[1] Memberships in addition to functions in the Südzucker Group.

(38) Significant investments of the Südzucker Group

	Location	Country	SZ share (%)	Indirect holding (%)	
SUGAR SEGMENT					
Sugar Germany					
Südzucker AG Mannheim/Ochsenfurt	Mannheim	Germany			
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		96.65	
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	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. 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	Germany	100.00		
BGD Bodengesundheitsdienst GmbH	Mannheim	Germany	100.00		1)
Brüder Hernfeld Gesellschaft m.b.H.	Vienna	Austria		100.00	
James Fleming & Co. Ltd.	Midlothian	Great Britain		100.00	
Maxi S.r.l.	Bolzano	Italy	50.00		
Mönnich GmbH	Kassel	Germany	100.00		1)
Nougat Chabert & Guillot SA.	Montélimar	France		99.75	
Südprojekt Silo und Logistik GmbH & Co. KG	Mannheim	Germany	100.00		
Südzucker Hellas E.P.E.	Athens	Greece		100.00	
Südzucker Ibérica, S.L.U.	Barcelona	Spain		100.00	
Südzucker International Finance B.V.	Oud-Beijerland	Netherlands	100.00		

1) Exemption per § 264 para. 3 HGB. 2) Exemption per § 264b HGB. 3) Joint venture companies. 4) Majority of voting shares.

	Location	Country	SZ share (%)	Indirect holding (%)	
SPECIAL PRODUCTS SEGMENT					
Freiberger					
Freiberger Holding GmbH	Berlin	Germany	10.00	90.00	1)
Freiberger Lebensmittel GmbH	Berlin	Germany		100.00	1)
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG	Berlin	Germany		100.00	2)
Great Star Food Production GmbH & Co. KG	Berlin	Germany		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	Germany	100.00		1)
BENEO-Orafti S.A.	Oreye	Belgium		100.00	
BENEO-Palatinit GmbH	Mannheim	Germany	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	100.00		
PortionPack Belgium N.V.	Herentals	Belgium		100.00	
PortionPack Holland B.V.	Oud-Beijerland	Netherlands		100.00	
PORTIONPACK IBERIA, S.L.	Barcelona	Spain		100.00	
Single Source Limited	Telford/Shropshire	Great Britain		100.00	
Hellma Gastronomie-Service GmbH	Nuremberg	Germany		100.00	
CROPENERGIES SEGMENT					
CropEnergies AG	Mannheim	Germany	70.83		
CropEnergies Beteiligungs GmbH	Mannheim	Germany		100.00	1)
CropEnergies Bioethanol GmbH	Zeitz	Germany		100.00	1)
BioWanze SA	Brussels	Belgium		100.00	
RYSSEN ALCOOLS SAS	Loon-Plage	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		91.90	
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 shares.

	Location	Country	SZ share (%)	Indirect holding (%)
AGRANA Fruit France S.A.	Paris	France		100.00
AGRANA Fruit Germany GmbH	Constance	Germany		100.00
AGRANA Fruit Istanbul Gida Sanayi ve Ticaret A.S.	Zincirlikuyu	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.S.	Paris	France		100.00
AGRANA Fruit Services S.A.S	Paris	France		100.00
AGRANA Fruit South Africa (Proprietary) Ltd.	Cape Town	South Africa		100.00
AGRANA Fruit Ukraine TOV	Winnitsa	Ukraine		99.80
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	Køge	Denmark		100.00
AGRANA Juice Holding GmbH	Gleisdorf	Austria		100.00
AGRANA Juice Magyarország Kft.	Vásárosnamény	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 Sales & Marketing GmbH	Bingen	Germany		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 shares.

A complete list of investments is required by § 313 para. 2 nos. 1 through 4 and para 3 HGB is published in the Electronic Federal Gazette.

(39) Events after the balance sheet date

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

(40) Proposed appropriation of earnings

Retained earnings of Südzucker AG Mannheim/Ochsenfurt amount to € 104,148,569.38 It will be proposed to the annual general meeting on July 21, 2011 that a dividend of € 0.55 per share be distributed and be appropriated as follows:

Distribution of a dividend of **€ 0.55 per share** on 189,353,608 ordinary shares	104,144,484.40 €
Earnings carried forward	4,084.98 €
Unappropriated earnings	**104,148,569.38 €**

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

The dividend will be paid on July 22, 2011.

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 5, 2011
THE EXECUTIVE BOARD

Dr. Wolfgang Heer Spokesman	Dr. Thomas Kirchberg	Thomas Kölbl	Prof. Dr. Markwart Kunz	Johann 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, income statement, statement of income and expense recognized directly in equity, statement of changes in shareholders' 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, 2010 to February 28, 2011. 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 Section 315a (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 Section 317 of the German Commercial Code (HGB) and generally accepted German standards for the audit of financial statements promulgated by Institut der Wirtschaftsprüfer (IDW) 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 Section 315a (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 5, 2011
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Ralf Worster	Olav Krützfeldt
Auditor	Auditor

Glossary

A

ACP countries | African, Caribbean and Pacific countries.

B

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.

C

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.

Carbon Leakage | The risk of relocating CO_2 emissions. Energy intensive sectors in which there is a risk that production facilities and jobs will be moved outside of the EU to relocate CO_2 emissions due to the economic pressure of emission trading are to be allocated CO_2 credits free of charge. The criteria to establish whether such risk exists are defined in the revised Emission Trading Directive dated April 23, 2009.

Cash flow | Amount used to evaluate the financing earnings power of the company, showing the extent to which net earnings for the year generate 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.

Clean labeling | Used to describe foods in which modified ingredients or additives are deliberately omitted.

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.

Convertible bond | Bond that can be converted into equity shares of the issuer under pre-determined conversion conditions at a pre-determined conversion price.

Commercial Papers | CP; 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.

D

Derivates | Derivative financial instruments; financial products whose fair value can either be determined based on classical underlying instruments such as equities or raw materials or from market prices such as interest rates or exchange rates. There are many forms of derivatives, including forwards, options or futures. Südzucker uses derivatives for financial risk management.

Diversity | Used in business administration and in economics to define a strategy of minimizing risk by better utilizing human resources. Diversity management in a company is a concept that utilizes the diversity of the employees as a competitive advantage.

E

Earnings from operating activities | → EBIT

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.

Earnings per share/EPS | Earnings per share.

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.

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. Distributions by the partly owned company reduce the investment without affecting the income statement.

ETBE | Environmentally-friendly octane improver made from bioethanol.

F

Functional food | Food or food ingredients with health applications.

G

Gluten | A protein substance contained in cereal grains. Gluten is used in industry as a foodstuff and animal feed.

Glycemic | Blood-sugar raising effect.

H

Hemicellulose | A polysaccharide found in plant cell walls that is usually used in connection with cellulose to provide structure.

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. IFRS include and supplement International Accounting Standards already issued since 1973.

Income from associated companies | Consists of the investor's share of net earnings or losses of those entities included in the consolidated financial statements using the equity method.

Industrial sugar | Sugar produced outside the quota system, supplied to the chemical and pharmaceutical industries and used for producing bioethanol, starch, citric acid and vitamins.

Inulin | Pre-biotic ballast substance from chicory root with proven properties beneficial to health. 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.

L

LDCs | Least developed countries. A socio-economic status defined by the United Nations that refers to a group of particularly poor countries throughout the world.

Lignocellulose | Lignocellulose is composed of cellulose, hemicellulose and lignin and forms the structure of plant cell walls.

M

Market reduction | The EU is using this instrument to remove sugar volumes 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.

N

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

Non-quota sugar | Sugar produced outside the quota system: It can be marketed; for example, as non-food industrial sugar, exported to non-EU countries or carried over into the next sugar marketing year.

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.

P:E ratio | Price to 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 to earnings ratio. In the same way, the price to 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.

Production levy | The EU commission has charged a production levy of € 12 per tonne of sugar since the 2007/08 sugar marketing year.

Q

Quotas | The volume of sugar and isoglucose defined for each EU member state. These volumes 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 sugar marketing year produced in line with quotas and eligible to be 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.

Raw sugar value | Relates to unrefined raw sugar.

Reference price | Indicator defining certain marketing instruments.

ROCE | Return on capital employed: It is 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.

S

Sugar exports | The supported exports are limited to 1.374 million tonnes due to the EU's WTO obligations.

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

T

Transfer | An entity can resolve to wholly or partly transfer the excess part of sugar production over its sugar quota to the following marketing year. This is then treated as the first volume produced within the quota for the following sugar year.

W

White sugar value | Relates to refined sugar and is 10 % lower than the raw sugar value.

World market prices | Prices for securities or goods which make up the balance of supply and demand: For tradable goods in highly liquid markets the world market price is determined by daily market prices.

Working capital | The difference between current assets and current, non-interest bearing liabilities: Working capital includes inventories, receivables and other assets less trade accounts payable, other current non-interest bearing liabilities and current provisions. The amount demonstrates to what extent an entity has its capital tied up in the revenue-generating process. Positive working capital indicates that products used in the revenue-generating process are paid before cash is received from the sale of the finished products.

WTO | World Trade Organization.

Forward looking statements/forecasts

This annual report contains forward looking statements based on assumptions and estimates made by the executive board of Südzucker AG. Although the executive board may be convinced that these assumptions and estimates are reasonable, future actual developments and future actual results may vary considerably from the assumptions and estimates due to many external and internal factors. For example, matters to be mentioned in this connection include current pending negotiations relating to the world trade agreement (WTA), changes to the overall economic situation, changes to EU sugar policies, consumer behavior and state food and energy policies. Südzucker AG assumes 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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