

Annual Report Südzucker AG 2000/01

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Südzucker - Key figures

Group		IAS 2000/01	IAS 1999/2000	IAS 1998/99	HGB 1997/98	HGB 1996/97	HGB 1995/96	HGB 1994/95	HGB 1993/94	HGB 1992/93	HGB 1991/92
Employees (average during the year)		28,415	29,579	25,619	20,394	19,239	19,539	12,597	10,243	10,985	11,910
Total assets	€ millions	4,947	4,677	4,588	3,597	3,622	3,196	2,991	3,190	2,531	2,412
Non-current assets	€ millions	2,387	2,450	2,436	1,662	1,741	1,605	1,599	1,703	1,262	1,137
Shareholders' equity	€ millions	1,703	1,619	1,553	904	1,016	867	871	890	597	541
as % of total liabilities and shareholders' equity	%	34.4	34.6	33.8	25.1	28.1	27.1	29.1	27.9	23.6	22.4
Medium-term and long-term third-party liabilities	€ millions	1,598	1,502	1,523	1,123	1,094	1,097	949	1,013	845	794
Total shareholders' equity, medium-term and long-term liabilities	€ millions	3,301	3,121	3,076	2,028	2,110	1,964	1,820	1,903	1,441	1,335
as % of non-current assets	%	138.3	127.4	126.3	122.0	121.1	122.4	113.8	111.8	114.2	117.5
Current assets less short-term third-party liabilities	€ millions	914	671	640	366	369	359	221	200	179	198
Capital expenditures in tangible assets ¹⁾	€ millions	215	233	238	209	213	194	142	289	278	304
Capital expenditures in financial assets ²⁾	€ millions	37	87	209	184	209	77	42	70	15	112
Total capital expenditures	€ millions	252	320	447	393	422	271	184	359	293	416
Gross cash flow from operating activities	€ millions	498	472	464	480	437	410	371	309	304	299
as % of sales	%	10.7	10.5	10.3	11.5	11.3	10.7	11.6	11.6	11.3	11.8
Sales	€ millions	4,664	4,517	4,504	4,187	3,885	3,826	3,203	2,677	2,685	2,523
of which foreign	€ millions	2,563	2,407	2,404	2,075	1,923	1,852	1,731	1,256	1,191	1,041
Personnel expense	€ millions	728	720	711	654	620	622	455	366	376	357
Income from ordinary operating activities ³⁾	€ millions	392	329	308	279	259	242	215	221	256	253
as % of sales	%	8.4	7.3	6.8	6.7	6.7	6.3	6.7	8.3	9.5	10.0
Net earnings for the year	€ millions	209	174	140	167	146	114	116	77	86	121
as % of sales	%	4.5	3.8	3.1	4.0	3.8	3.0	3.6	2.9	3.2	4.8
Earnings per share ⁴⁾	€	1.35	1.08	0.92	1.06	0.93	0.81	0.79	0.72	0.71	0.69
Beet processing	1000 t	22,251	23,432	21,224	20,294	19,718	19,416	17,978	16,804	15,787	14,075
Beet processing capacity	1000 t/day	290	279	245	245	233	233	237	190	188	186
Sugar production	1000 t	3,491	3,596	3,078	3,169	3,103	2,819	2,666	2,562	2,309	2,088
Sugar sales volumes	1000 t	3,617	3,414	3,282	3,149	2,816	2,851	3,093	2,404	2,239	2,261
Dividend per € 1 ordinary share	€	1.34 ⁵⁾	0.87	0.33	0.33	0.33	0.30	0.30	0.30	0.30	0.28
Dividend per € 1 preference share	€	1.38 ⁵⁾	0.91	0.37	0.37	0.37	0.34	0.34	0.34	0.34	0.31
Tax credit per € 1 ordinary share	€	0.57	0.37	0.14	0.14	0.14	0.13	0.13	0.13	0.13	0.15
Tax credit per € 1 preference share	€	0.59	0.39	0.16	0.16	0.16	0.15	0.15	0.15	0.15	0.18
Total dividend distribution	€ millions	193	120	47	46	43	36	36	35	31	26

¹⁾ Including intangible assets

²⁾ Including acquisitions of consolidated subsidiaries, excluding pro rata earnings from equity-accounted associates

³⁾ Until 1997/98 adjusted income from ordinary operating activities per German accounting principles (HGB)

⁴⁾ Prior years adjusted for capital increase in 2000/01

⁵⁾ The recommendation includes € 0.53 special dividend per share (distribution and reinvestment)

A Aschach (AGRANA)	D Oberreute (eurofrost)	MD Alexandreni (Südzucker)
A Gmünd (AGRANA)	D Plattling (Südzucker)	MD Donduseni (Südzucker)
A Hohenau (AGRANA)	D Prenzlau (Schöller Lebensmittel)	MD Drochia (Südzucker)
A Leopoldsdorf (AGRANA)	D Rain (Südzucker, Reko)	MD Glodeni (Südzucker)
A Oberhofen (Freiberger)	D Regensburg (Südzucker, Reko)	MD Falesti (Südzucker)
A St. Michael (Freiberger)	D Uelzen (Schöller Lebensmittel)	N Oslo (Eismann Family)
A Tulln (AGRANA)	D Wabern (Südzucker)	NL Bodegraven (PPEH)
A Vienna (AGRANA, PPEH, Eismann Family, Schöller Lebensmittel)	D Warburg (Südzucker)	NL Duiven (Eismann Family)
B Beerse (Schöller Lebensmittel)	D Wildau (Eismann Family)	NL Groningen (Surafti)
B Brugelette (Raffinerie Tirlemontoise)	D Zeil (Südzucker)	NL Oud Beijerland (PPEH)
B Berchem (Raffinerie Tirlemontoise)	D Zeitz (Südzucker)	NL Tilburg (eurofrost)
B Brussels (Raffinerie Tirlemontoise)	D Zschortau (Zschortauer Feldfrucht)	NL Twello (Schöller Lebensmittel)
B Geel (Eismann Family)	DK Esbjerg (Eismann Family)	NL Wychen (Orafti)
B Geer (Raffinerie Tirlemoioise)	E Barcelona (Eismann Family)	P Lisbon (Eismann Family)
B Genappe (Raffinerie Tirlemontoise)	E Dos Hermanas (Eismann Family)	PL Garbów (Südzucker)
B Merksem (Raffinerie Tirlemontoise)	F Maromme (Eismann Family)	PL Krakau (Südzucker)
B Onze Lieve Vrouw-Waver (PPEH)	F Montélimar (Surafti)	PL Łubna (Südzucker)
B Oostkamp (Surafti)	F Paris (Surafti, Schöller Lebensmittel)	PL Namyslow (Schöller Lebensmittel)
B Oreye (Raffinerie Tirlemontoise)	F St. Cyr-sur-mer (Schöller Lebensmittel)	PL Ropczyce (Südzucker)
B Tienen (Raffinerie Tirlemontoise)	F St. Didier au Mont d'Or (Freiberger)	PL Strzyżów (Südzucker)
B Veurne (Raffinerie Tirlemontoise)	F Sucy en Brie (Eismann Family)	PL Tychy (Eismann Family)
B Wanze (Raffinerie Tirlemontoise)	CH Dällikon (Eismann Family)	PL Warsaw (Südzucker, Freiberger)
CZ Prague (PPEH, Eismann Family, Schöller Lebensmittel)	CZ Prague (PPEH, Eismann Family, Schöller Lebensmittel)	PL Włostów (Südzucker)
CZ Hrusovany (AGRANA)	GB Ashton-in-Makerfield (Surafti)	RO Bucharest (AGRANA)
CZ Opava (AGRANA)	GB Corby (Eismann Family)	RO Buzău (AGRANA)
D Berlin (Freiberger)	GB Edinburgh (Surafti)	RO Roman (AGRANA)
D Bremervörde (eurofrost)	GB London (Schöller Lebensmittel)	RO Tândărei (AGRANA)
D Brottwitz (Südzucker)	GB North UMBERLAND (Surafti)	RUS Moscow (Schöller Lebensmittel)
D Cuxhaven (eurofrost)	GB Spalding (Freiberger)	S Strängnäs (Eismann Family)
D Delitzsch (Südzucker)	H Albertirsa (eurofrost)	SF Vantaa (Eismann Family)
D Delmenhorst (Eismann Family)	H Acs (AGRANA)	SK Bratislava (Schöller Lebensmittel)
D Groß-Gerau (Südzucker, eurofrost)	H Budaörs (Eisman Family)	SK Rimavská Sobota (AGRANA)
D Kassel (Mönnich)	H Budapest (AGRANA)	SK Sered (AGRANA)
D Ochsenfurt (Südzucker, AW Beteiligungs GmbH)	H Kaposvár (AGRANA)	SLO Ljubljana (Eismann Family)
D Offenau (Südzucker)	H Petőhaza (AGRANA)	TR Akcalar (Schöller Lebensmittel)
D Offstein (Südzucker)	H Szabadegyhaza (AGRANA)	Argentina Azul (eurofrost)
D Löbau (Südzucker)	H Törökbalint (Schöller Lebensmittel)	Singapore Singapore (Palatinit)
D Mannheim (Südzucker, Palatinit, AIH)	HR Zagreb (Eismann Family)	USA New Jersey (Palatinit)
D Mettmann (Eismann Family)	I Botsano (Eismann Family)	USA Pennsylvania (Orafti)
D Muggensturm (Freiberger)	I Bussolego (Eismann Family)	
D Nuremberg (PPEH, Schöller Holding, Schöller Lebensmittel)		

- Sugar/sweeteners locations
- Ice cream/frozen food locations
- Sugar/sweeteners and ice cream/frozen food locations

**Südzucker
Aktiengesellschaft
Mannheim/Ochsenfurt**

Group Annual Report
for 2000/01
March 1, 2000 through
February 28, 2001

Sugar: the fuel of invention

The innovations of the
Südzucker Group



In its 2000/01 fiscal year, the Südzucker Group made a successful start to the new millennium. As always, a host of new innovations are helping to drive its future growth and develop new markets. In this annual report you can take a close look at some of them and the fascinating prospects they open up.

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Südzucker celebrates 75 years

Südzucker AG Mannheim/Ochsenfurt was originally formed in 1926 as a merger of 5 sugar companies. These regional sugar producers have been transformed into one of Europe's leading food groups. Our product range encompasses sugar, sweeteners, functional foods, ice cream, frozen food and other edible additives. Furthermore, we are constantly accessing new markets with innovative products, demonstrating that there is just as much of a pioneer spirit in the traditional food industry as in the technology sector.

The south German sugar factories, which had already formed a loose association to represent their common interests, merged in 1926 to form Süddeutsche Zucker-AG. The new company's head office was located in

Mannheim and there were factories in Frankenthal, Friedensau, Groß-Gerau, Heilbronn, Offstein, Regensburg, Stuttgart, Waghäusel and Züttlingen.

Market conditions for sugar producers were also difficult in those days. German suppliers suffered above all from state-subsidised competition from Poland and Czechoslovakia. Nevertheless, Südzucker managed to survive after implementing a number of restructuring plans. The company looked eastwards when making investments, including acquiring shares in Silesian sugar factories and diversifying out of the food sector. For example, in the mid-thirties Südzucker acquired a brickworks, Kaiser Friedrich Quelle AG, and a rolling mill in Ludwigshafen.

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Süddeutsche Zucker-AG formed as a merger of 5 sugar companies.



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Zuckerfabrik Franken GmbH, Ochsenfurt founded.



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Further sugar refineries built (Rain, Plattling, Offenau, Zeil; until 1971).



The second world war totally annihilated the company's wealth. The Frankenthal works and the head office in Mannheim were completely destroyed in 1943 and further factories suffered the same fate shortly afterwards.

Following the end of the second world war, many former sugar factories were located in the Russian occupied zone. Only 29 % of the area used for sugar beet production was located within the boundaries of the future Federal Republic of Germany. Sugar supply became a critical problem for the German food industry.

As part of the economic restructuring program, in 1950 the government issued guidelines on the procurement, processing and warehousing of sugar. Domestic sugar beet production increased as the economy started to recover. Südzucker, still weakened by the war, did not have sufficient capacity in 1950 to process the beet harvested in its agricultural area. As a result, beet farmers under the leadership of Hans Hege formed Süddeutsche Zuckerrübenverwertungs-Genossenschaft, whose major objective at that time was the construction of new factories to process sugar beet. Following negotiations with Süddeutsche Zucker-AG, Zuckerfabrik Franken GmbH, Ochsenfurt was formed in 1951 with Südzucker providing 49 % of the capital. Hermann J. Abs, at that time chairman

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Merger of Süddeutsche Zucker-AG and Zuckerfabrik Franken GmbH to form Südzucker AG Mannheim/Ochsenfurt.



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Investment in AGRANA Beteiligungs-AG, Vienna.



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Investment in Raffinerie Tirlemontoise S.A., Brussels.



Südzucker celebrates 75 years

of the supervisory board of Süddeutsche Zucker-AG, and Hans Hege, chairman of the Verband Süddeutscher Zuckerrübenanbauer, jointly initiated the sugar beet farmers' investment in Südzucker.

Over the next few years sugar factories were built in Rain, Zeil and Plattling. The EEC introduced sugar market regulations, with quotas and price regulations in 1968.

In 1988 Süddeutsche Zucker-AG merged with Zuckerfabrik Franken GmbH to form Südzucker AG Mannheim/Ochsenfurt. With 11 factories, this merger formed the largest sugar producer in Germany. One year later, in 1989, the company invested in AGRANA,

the Austrian company and thus had a presence in the Austrian and Hungarian sugar and starch markets. In the same year Südzucker acquired Raffinerie Tirlemontoise S. A., Belgium.

Isomalt, a sugar supplement, produced on the basis of beet sugar and also suitable for diabetics, was launched on the sweeteners market in 1990.

In Germany, Südzucker became involved in the east German states right from the start of the unification process. In 1991 13 east German sugar factories were acquired, restructured and their activities included in a newly-formed subsidiary, Südzucker GmbH, Zeitz. The expansion of activities in eastern Europe also

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Südzucker AG invests in eastern Europe.



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Südzucker GmbH, Zeitz founded.



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Schöller Holding GmbH & Co. KG, Nuremberg founded.



gave a strong boost to business and higher revenues for Schöller and Eismann. New ice cream factories were opened in eastern Germany (Uckermärker Eiskremwerk) and Hungary (Schöller Budatej). Most investments in the ice cream/frozen food segment were combined in 1995 under the Schöller Holding umbrella, in which Südzucker holds 65 %.

In 1996 Südzucker acquired a majority of the shares in Freiburger, a leading producer of deep-frozen pizzas, pastas and baguettes. At the same time AGRANA and Südzucker strengthened their eastern European activities. Sugar factories were acquired in Hungary, the Czech Republic, Poland, Slovakia, Romania and Moldova. Schöller Holding also remained on the

expansion trail and acquired Hjem-IS, Denmark in 1997. Freiburger purchased PrimAS, the Austrian deep-frozen pizza producer, at the beginning of 2000.

2001 marks the company's 75th. anniversary and the Südzucker Group is the largest sugar producer in the European Union, the Group's share of the EU sugar quota being 16 %. Sugar production at the 41 factories reached 3.5 million tonnes.

Revenues for 2000/01 amounted to € 4.7 billion. A total of 28,400 people work for the Südzucker Group, 12,150 of whom are located in Germany, 6,400 in the other EU countries, 9,500 in eastern Europe and 383 in other countries.

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Aquisition of Freiburger Lebensmittel GmbH & Co. KG, Berlin.



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The Südzucker Group operates 19 sugar factories in eastern Europe in Moldova, Poland, Romania, Slovakia, Czech Republic and Hungary.



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Südzucker, with over 80 production and sales locations around the world, is one of Europe's major food groups.

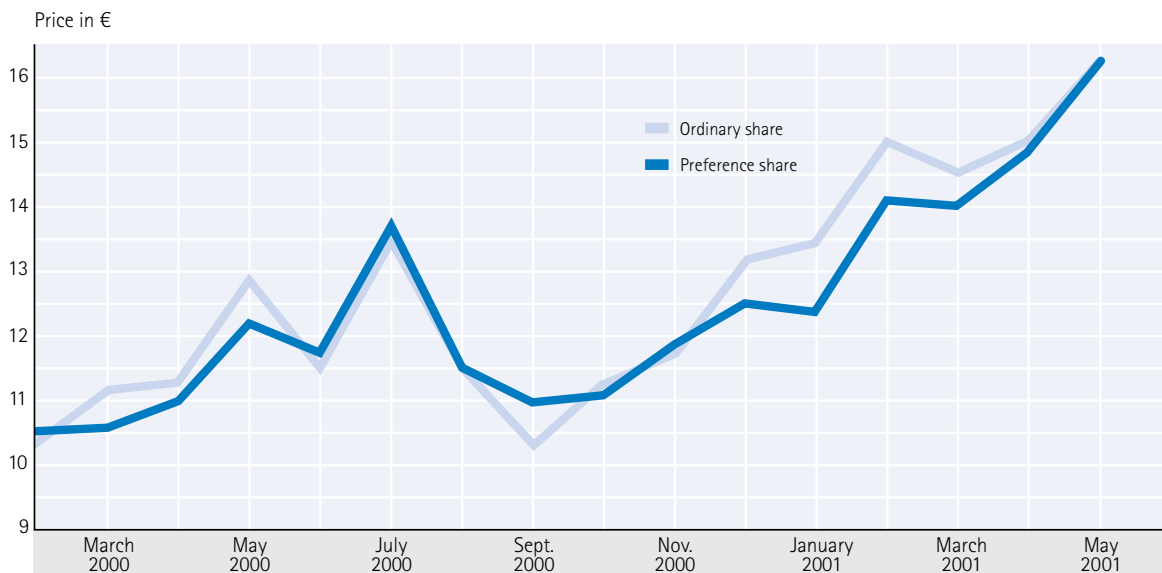


The Südzucker share

Many investors initially had high hopes for telecommunications, media and technology shares for 1999 and 2000, but these hopes were then dashed. The sharp rise and fall of share prices on the stock exchange led to uncertainty amongst many investors and gave them second thoughts about their investment strategies. Equities of established companies with product know-how and a proven track record of profitability were again in demand. These are characteristics applicable to Südzucker, Europe's largest sugar producer and, with earnings per share up by

The ordinary share price at the end of February 2001 rose to € 14.10 (10.50)* and the preference share price increased to € 15.00 (10.30). In contrast to market trends, Südzucker shares (with reinvestment of cash and special dividends and pre-emptive rights) increased over the past year by a respectable 45 % (ordinary share) and 57 % (preference share). Over the same period the MDAX of 70 German stocks only improved by 14.3 %, whereas the DAX declined by 18.8 %. On February 28, 2001 Südzucker had a market capitalisation of € 2,044 million and was number

Share price movement of the Südzucker share spot price (Frankfurt/Main) at month end



25 % to € 1.35, we are pleased to be able to look back on a successful year. Our growth record and many investors' new strategies have led to a re-discovery of our ordinary and preference shares.

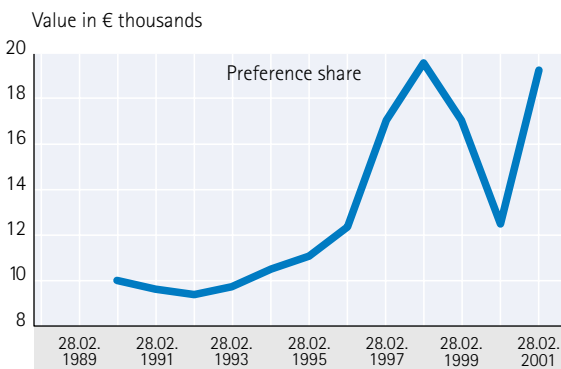
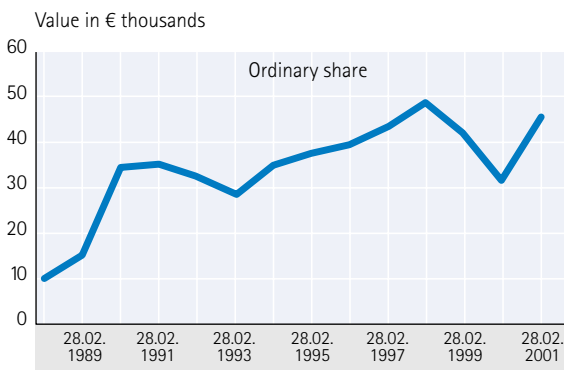
55 within the DAX100. Südzucker shares also performed above average in comparison with the change in value of the other 9 listed European sugar producers, which increased by an average of 25 %.

*The numbers in brackets relate to the previous year.

Long-term increase in value

An investment in Südzucker shares has also proved to be attractive from a long-term prospective. The portfolio value of a shareholder who invested € 10,000 in Südzucker ordinary shares in March 1, 1988 (beginning of the financial year in which the merger with Zuckerfabrik Franken GmbH took place) and reinvested cash dividends and pre-emptive rights in Südzucker shares would have risen to € 47,436 by February 28, 2001. This represents an annual increase of 12.7 %, whereas the MDAX rose by an annual 12.4 % over the same period. If € 10,000 had been invested on March 1, 1990 in the newly-issued preference shares at that time, the value of the holding would have been € 19,731 on February 28, 2001, representing an annual increase of 6.4 %. The MDAX rose by 7.4 % over the same period.

Long-term increase in value assuming re-investment of dividend (excluding tax credit) and rights



Investor relations

Over the past year we have further intensified our contacts to investors and carried out many road shows in Germany, Great Britain, the Benelux countries, France, Switzerland and the USA, giving us the opportunity of presenting the Südzucker Group. These activities were supplemented by numerous discussions with analysts, who increasingly specialise in European-wide industry sectors, and participation at an investors exhibition held in April 2001 and organised by Deutsche Börse AG.

However, once again it was our annual general meeting, held at the congress centre in Würzburg on August 24, 2000, which was the most popular event of the year. There was a new record number of almost 1,400 shareholders present. The voting rights of these shareholders represented 93.2 % of the ordinary shares and 44.9 % of the preference shares.

The number of hits to our new bilingual internet shareholder information page (www.suedzucker.de) also reached a new record, and we established many new direct contacts via this medium.

Shareholder structure

We were informed by the Süddeutsche Zuckerrübenverwertungs-Genossenschaft (SZVG) that their own shareholding and those shares held for them on trust for their shareholders represent a majority holding in the total capital of the company (approximately 51 % of the total capital, or 60.7 % of the ordinary shares). Other major shareholders are Deutsche Bank (10 % of the total capital, or 12.9 % of the ordinary shares) and Austrian shareholders via ZSG (NL) (approximately 5 % of the overall capital, or 6.3 % of the ordinary shares). Hence, 34 % of the overall capital, or 20 % of the ordinary shares, remain widely held.

The Südzucker share

Cancellation and submission of old shares

After the conversion of our capital to euros in September 1999 and a subsequent share split of 1:26, with the issue of shares with no nominal value, the cancellation of our old share certificates expressed in Deutsche Mark was announced on July 1, 2000, as required by § 73 (1) Stock Corporation Law. The conversion was completed in November 2000 by submission of certificates not yet exchanged. Shareholders who still hold share certificates stated in Deutsche Mark can exchange their old share certificates for new shares at their local bank.

Capital increase and bond issue in 2000

Following a resolution passed by the annual general meeting on August 24, 2000, a capital increase was made in September 2000 by means of distribution and reinvestment at a rate of 20:1 at a pre-emptive rights issue price of € 10.00 per ordinary and preference share. As a result, following the special dividend of € 72 million (€ 0.53 per share), the company received € 68 million from the capital increase.

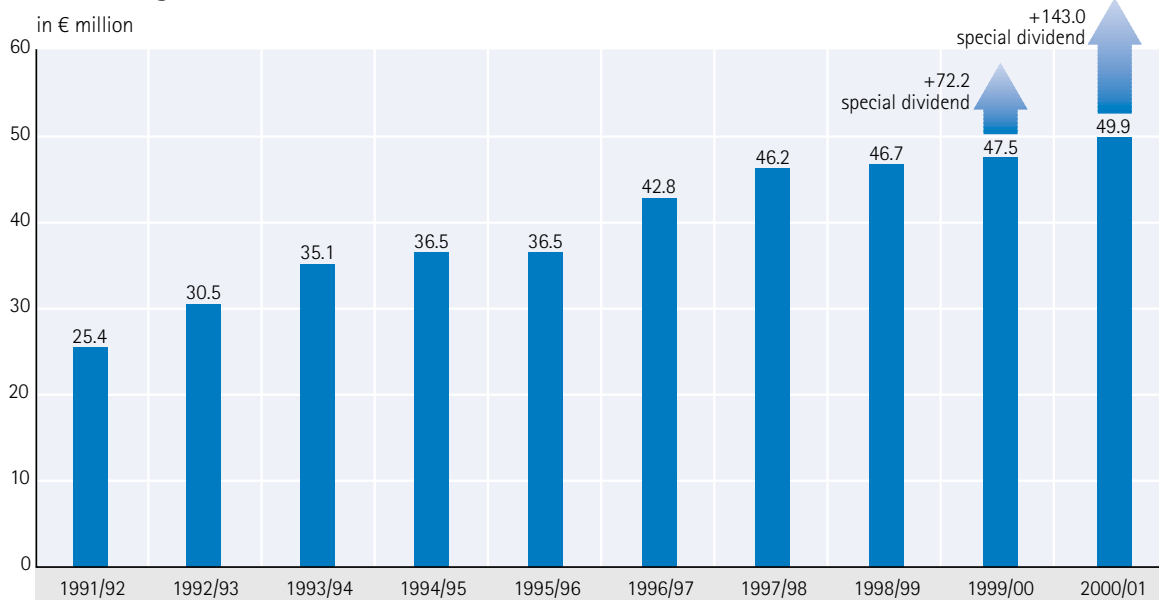
To secure the Group's further expansion, Südzucker also issued a 10 year bond for € 300 million in 2000/01. The bond bears a coupon of 6.25 % and has an excellent A 1 rating from Moody's. The issue was rapidly and successfully placed on European markets and is listed on the Frankfurt stock exchange under securities code number 178080.

Dividend for 2000/01

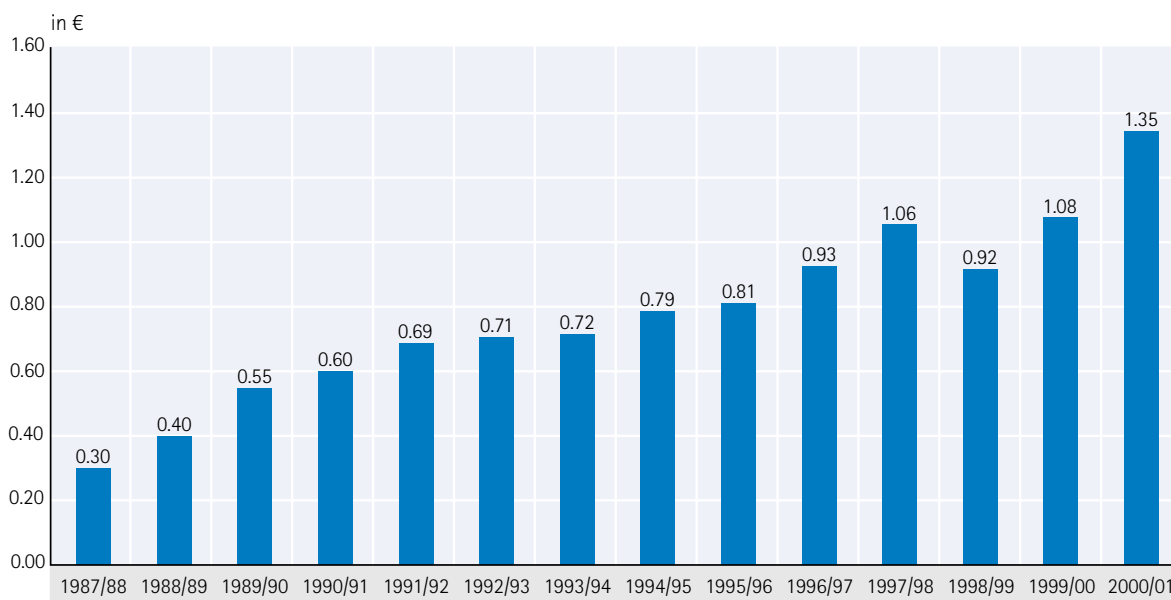
The executive board and supervisory board recommend to the annual general meeting for 2001 that a cash dividend of € 0.34 per ordinary share and € 0.38 per preference share be declared, plus a special dividend of € 1.00 in the form of a distribution and reinvestment plan.

Südzucker AG already distributed its retained earnings taxed at 45 % (EK45) in the previous year, and this year its retained earnings taxed at 40 % (EK40) will be fully distributed. Such special dividend, distributed for the second year running, permits Südzucker to pass on tax credits of € 31 million to its shareholders. Also, as a result of this special

Dividend growth



Earnings per share



dividend, those shareholders subject to tax in Germany will be able to receive a tax credit of 3/7 of the total cash dividend or € 0.57 per ordinary share and € 0.59 per preference share for the last time.

With this recommendation on distribution of profits, consisting of a normal dividend distribution of € 50 million (€ 47 million) and a special dividend of € 143 million (€ 72 million), last year's increased cash dividend of € 120 million will be again exceeded, this time amounting to € 193 million. Hence, the total distribution for the year, including tax credit, amounts to € 276 million (€ 171 million).

The special dividend of € 1.00 per share is intended to be reinvested in the company as a distribution and reinvestment by means of a capital increase. Südzucker has again taken advantage of the change in tax laws to implement a shareholder-friendly distribution policy with this special dividend. In order to finance the further expansion of the Group.

Unifying our classes of share

In the past two years we have taken due account of the rapid unification of European capital markets by means of a share split of 1:26 and conversion to shares of no par value, as well as publishing our figures in accordance with IAS, and this has increased transparency and comparability. We wish to continue along this path by converting our non-voting preference shares into voting ordinary shares.

The non-voting preference share continues to be relatively unknown abroad, its acceptance on international capital markets is limited and there is also an increasing decline in the use of this class of share in Germany. In view of this, the classes of share issued by Südzucker AG Mannheim/Ochsenfurt should be unified, hence implementing the generally accepted concept on international capital markets of "one share, one vote". The benefits to the company and its shareholders from the conversion of the preference shares to ordinary shares far outweigh

The Südzucker-share

any disadvantages. In order to compensate for the loss of preferential dividend treatment, each share converted will be granted one vote at the annual general meeting.

As a result of the conversion to a single class of share we expect Südzucker shares to have a higher free float on the market. This, together with an improved weighting on the MDAX, will further improve the attractiveness of the Südzucker share as an investment opportunity.

The executive board and supervisory board of Südzucker AG will thus recommend to the annual general meeting on August 23, 2001 that the preference shares be converted into ordinary shares.

Diary dates

Interim report on 1st quarter 2001/02	End of July 2001
Annual general meeting for 2000/01	August 23, 2001 in Mannheim
Interim report on 2nd quarter 2001/02	End of October 2001
Interim report on 3rd quarter 2001/02	End of January 2002
Press and analysts' meeting 2001/02	July 2002 in Mannheim
Interim report on 1st quarter 2002/03	End of July 2002
Annual general meeting for 2001/02	August 22, 2002 in Würzburg

The 2000 annual general meeting in Würzburg.



Südzucker share data

	2000/01		1999/2000	
	Ordinary share	Preference share	Ordinary share	Preference share
Dividend				
Cash dividend	€ 0.34 ¹⁾	€ 0.38 ¹⁾	€ 0.34	€ 0.38
Special dividend	€ 1.00 ¹⁾	€ 1.00 ¹⁾	€ 0.53	€ 0.53
Tax credit	€ 0.57	€ 0.59	€ 0.37	€ 0.39
Gross dividend	€ 1.91	€ 1.97	€ 1.24	€ 1.30
Dividend yield²⁾	13.6 %	13.1 %	11.8 %	12.6 %
Share price at end of year³⁾	€ 14.10	€ 15.00	€ 10.50	€ 10.30
Market capitalisation at end of year	€ 2,044 million		€ 1,424 million	
Number of preference shares à 1 €	111,880,860	31,127,460	106,553,200	29,645,200
Key figures				
Earnings per share ⁴⁾	€ 1.35		€ 1.08	
Cash flow per share	€ 3.58		€ 3.47	
Price earnings ratio	10.4	11.1	9.7	9.5
Price cash flow ratio	3.9	4.2	3.0	3.0
ROCE – Return on capital employed	12.7 %		11.2 %	

¹⁾Proposed ²⁾Gross dividend yield including corporation tax credit ³⁾Closing price, Frankfurt stock exchange ⁴⁾Adjusted



Südzucker shares.



S ü d z u c k e r A G M a n

Sugar/sweeteners segment



Südzucker sugar division



Raffinerie Tirlemontoise Group



AGRANA Group

- Production and sale of sugar and special products with manufacturing sites in Belgium, Germany, Moldova, Austria, Poland, Romania, Slovakia, Czech Republic and Hungary
- Production and sale of sugar refinement by-products
- Production and sale of starch and crystallised starch products in Austria and Hungary
- Production and sale of functional food products such as the sugar substitutes Isomalt, Raftiline® and Raftilose®
- Production and sale of bakery additives and portion-packed articles
- Production and sale of agricultural products

■ Sales	€ 2,973 million
■ Operating income	€ 351 million
■ Capital expenditures	€154 million
■ Employees	12,841

Ice cream/frozen food segment



Schöller Holding Group



Freiberger Group

- Production of ice cream, frozen food (pizzas, ready-cooked meals, fruit, vegetables, etc.) and frozen bakeries in Belgium, Denmark, Germany, The Netherlands, Poland, Sweden, Turkey and Hungary
- Pan-European sales to food retailers, industry, wholesalers and caterers
- Pan-European direct sales via home deliveries (Eismann, Heimfrost) and street sales (Family Frost, Hjem-IS)

■ Sales	€ 1,692 million
■ Operating income	€ 41 million
■ Capital expenditures	€ 98 million
■ Employees	15,574

Agenda

for the

shareholders' annual general meeting

to be held on Thursday August 23, 2001, at 10.30 a.m. in the Mozartsaal of the Congress-Centrum Rosengarten, Rosengartenplatz 2, 68161 Mannheim.

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Presentation of the annual financial statements, the consolidated financial statements and the management report of Südzucker AG Mannheim/Ochsenfurt and the Group for 2000/01, together with the report of the supervisory board 2. Appropriation of retained earnings 3. Ratification of the acts of the executive board for 2000/01 | <ol style="list-style-type: none"> 4. Ratification of the acts of the supervisory board for 2000/01 5. Establishment of new authorised capital 6. Conversion of preference shares into ordinary voting shares 7. Special vote by the holders of ordinary shares on their agreement to the resolution of the annual general meeting set out in item 6 on the agenda 8. Resolution on amending the Südzucker AG Mannheim/Ochsenfurt by-laws to comply with the Law on Registered Shares and Simplification of Voting (NaStraG) and making other changes to the by-laws 9. Election of auditors for 2001/02 |
|---|--|

Proposals regarding the resolutions

Item 2 on the agenda:

The executive board and supervisory board propose that the retained earnings of € 192,930,864.79 be appropriated as follows:

Distribution of a dividend of	€ 0.34 per ordinary share	€ 38,039,492.40
and a special dividend of	€ 1.00 per ordinary share	€ 111,880,860.00
giving a total dividend of	€ 1.34 per ordinary share	€ 149,920,352.40
on 111,880,860 ordinary shares		
Distribution of a dividend of	€ 0.38 per preference share	€ 11,828,434.80
and a special dividend of	€ 1.00 per preference share	€ 31,127,460.00
giving a total dividend of	€ 1.38 per preference share	€ 42,955,894.80
on 31,127,460 preference shares		
Resulting in a total dividend of		€ 49,867,927.20
and a special dividend of		€ 143,008,320.00
Total distribution		€ 192,876,247.20
Carried forward to the new year		€ 54,617.59
Unappropriated retained earnings		€ 192,930,864.79

Items 3 and 4 on the agenda:

The executive board and supervisory board recommend that their actions be ratified for 2000/01.

Item 5 on the agenda:

The executive board and supervisory board recommend that authorised capital of € 400 million be established in order to enable the company to meet demands for new equity capital rapidly and flexibly. The new shares are to be offered to existing shareholders by means of pre-emptive rights issues and it is not intended that such rights be excluded. In the light of item 6 on the agenda, being a recommendation to the annual general meeting on conversion of preference shares into ordinary shares, it is intended that the authorised share capital only be used to issue new ordinary shares. In order to be legally valid, the resolution on conversion of the preference shares into ordinary shares must be entered in the commercial register. Until this has occurred, in the event of a capital increase the holders of preference shares and ordinary shares shall have the same pre-emptive rights to take up new ordinary shares issued, based on the ratios of their existing shareholdings at the time of the capital increase.

Hence, the executive board and supervisory board recommend that the following resolution be approved:

- a) The executive board is empowered, with the approval of the supervisory board, to increase the share capital of the company up to June 30, 2006 in one or more tranches by up to € 41,000,000 (forty-one million euros) by issuing new ordinary bearer shares for cash of a total of € 400 million (authorised capital).

The new shares are to be offered as pre-emptive rights to existing shareholders. The amount of the capital increase is to be calculated in a manner which ensures that no rounding amounts remain. The supervisory board is empowered to change § 4

of the by-laws following the complete or partial capital increase or after expiry of the period during which such increase can be made.

- b) In view of this resolution to establish new authorised capital, the existing authorised capital will be cancelled.
- c) § 4 para. 5 of the by-laws state as follows:

"(5) The executive board is empowered, with the approval of the supervisory board, to increase the share capital of the company up to June 30, 2006 in one or more tranches by up to € 41,000,000 (forty-one million euros) by issuing new ordinary bearer shares for cash of a total of € 400 million (authorised capital).

The new shares are to be offered as pre-emptive rights to existing shareholders. The amount of the capital increase is to be calculated in a manner which ensures that no rounding amounts remain.

The supervisory board is empowered to change § 4 of the by-laws following the complete or partial capital increase or after expiry of the period during which such increase can be made."

Item 6 on the agenda:

The executive board and supervisory board recommend that the company's non-voting preference shares be converted into voting ordinary shares, whereby the preferential dividend rights will be lifted. The non-voting preference share continues to be relatively unknown abroad, its acceptance on international capital markets is limited and there is also an increasing decline in the use of this class of share in Germany. In view of this, the classes of share issued by Südzucker AG Mannheim/Ochsenfurt should be unified, hence implementing the generally accepted concept on international capital markets of "one share, one vote".

Agenda for the Annual General Meeting

Conversion of the preference shares into ordinary voting shares will leave the amount of the company's share capital unchanged, but consisting only of ordinary voting shares. The preferential dividend rights granted to holders of preference shares as set out in § 21 paras. 1 and 2 of the by-laws will expire. Assuming that the conversion of preference shares into ordinary shares is completed before the end of 2001/02, the preferential dividend rights will be reflected for the last time in the distribution of unappropriated earnings for 2000/01. In future, each share will receive the same profit distribution. As compensation for the expiry of their preferential dividend rights, each share will receive one vote at the annual general meeting after conversion. Unless otherwise resolved by the annual general meeting, no further non-voting preference shares will be issued in future.

Conversion of the non-voting preference shares into voting ordinary shares will be made by lifting the preferential dividend rights attached to the preference shares through a change to the company's by-laws. This will lead to the shares held by the preference shareholders having the same characteristics as ordinary shares, and hence the special class of preference shares will be removed.

Conversion of the preference shares into ordinary shares is in the interests of the company and of all its shareholders. It will result in a single class of Südzucker share and hence in a simplification of the capital structure as well as implementing the generally accepted concept on international capital markets of "one share, one vote". This will improve the company's opportunities to raise funds on international money markets. A single class of Südzucker share will provide greater liquidity on the market and will avoid a lower weighting of our share on the M-DAX, which could have had a negative effect on the share price.

Due to the lifting of preferential dividend rights and conversion of the non-voting preference shares into ordinary voting shares, the by-laws covering the make-up of the company's share capital (§ 4 para. 1 sentence 2 of the by-laws), permission to issue additional preference shares (§ 4 para. 4 of the by-laws), voting rights (§ 17 of the by-laws) and distribution of unappropriated earnings (§ 21 of the by-laws) require to be changed.

Hence, the executive board and supervisory board recommend that the following be resolved:

1. The non-voting preference shares with no par value are to be converted into ordinary voting shares with no par value and the preferential dividend rights as set out in § 21 paras. 1 and 2 of the by-laws are cancelled.
2. § 4 para. 1 sentence 2 of the by-laws reads as follows:
"It is made up of ordinary shares with no par value and an imputed share of the capital of € 1.00 each."
3. a) § 4 para. 4 of the by-laws lapses.
b) § 4 para. 5 of the by-laws becomes § 4 para. 4.
4. § 17 sentence 2 of the by-laws is cancelled.
5. a) § 21 paras. 1 and 2 of the by-laws lapse.
b) § 21 para. 3 of the by-laws becomes para. 1 and is newly drafted as follows:
"The annual general meeting resolves the appropriation of unappropriated retained earnings."
c) § 21 para. 4 of the by-laws becomes para. 2.

Conversion of the non-voting preference shares with preferential dividend rights into ordinary voting shares requires a resolution passed by the annual general meeting with a majority of three-quarters of the share capital represented at the annual general meeting. Furthermore, the resolution on conversion requires the approval of the preference shareholders, who will resolve upon this matter by resolution at a special meeting, which requires a majority of three-quarters of the votes cast as set out in § 141 para. 3 sentence 2 Stock Corporation Law. Furthermore, for the avoidance of doubt, the holders of ordinary shares will be requested to give their permission by means of a special vote (see item 7 on the agenda).

Item 7 on the agenda:

The executive board and supervisory board recommend that the special resolution of the holders of ordinary shares as set out in § 179 para. 3 Stock Corporation Law be resolved as follows:

The ordinary shareholders hereby grant their permission by special vote to the resolution of the annual general meeting set out in item 6 on the agenda.

Item 8 on the agenda:

The executive board and supervisory board recommend that the company's by-laws be changed to reflect changes in the Stock Corporation Law following entry into force on 25.01.2001 of the Law on Registered Shares and Simplification of Voting (Registered Shares Law, or NaStraG).

When making these changes to the by-laws, the by-laws on remuneration of the supervisory board should also be changed and clarified to reflect the fact that tax-based special dividends do not affect the calculation of remuneration of members of the supervisory board.

Hence, the executive board and supervisory board recommend that the following be resolved:

The following sentence 2 be added to § 12 para. 1 of the by-laws:

"Tax-based special dividends are not considered when calculating the remuneration."

§ 15 para. 1 of the by-laws now reads as follows:

"Each shareholder is entitled to attend the annual general meeting in person or be represented by a person appointed by the shareholder. Proxies not granted to a bank or shareholders' association are to be in writing or in an electronic form to be determined by the company. Details of proxies granted in electronic format will be announced together with the invitation to attend the annual general meeting."

§ 15 para. 2 of the by-laws now reads as follows:

In § 15 para. 2 sentence 1 of the by-laws, the words "on the fifth working day" are replaced by the words "on the seventh day". § 15 para. 2 sentence 2 is cancelled.

Item 9 on the agenda:

The supervisory board proposes that KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Mannheim be appointed auditors for 2001/02.

Deposit of shares

Ordinary and preference shareholders are entitled to attend the annual general meeting and to exercise the ordinary shareholders' voting rights on condition that they deposit their shares by Thursday, August 16, 2001 at the latest, either with the company or a securities depository, with a German notary public or at branches of the banks listed below and leave them in the safe custody of these depositories until after the annual general meeting:

Agenda for the Annual General Meeting

Deutsche Bank AG
Baden-Württembergische Bank AG
DG BANK Deutsche Genossenschaftsbank
Dresdner Bank AG
Landesbank Baden-Württemberg
Commerzbank AG

If shares are deposited with a notary public or securities depository, the original certificate of deposit or a notarised copy thereof must be submitted to the company by Friday, August 17, 2001 at the latest. Shareholders shall be deemed to have deposited their shares in the proper manner if shares are held at another bank with the agreement of an officially-recognised depository until the annual general meeting has been concluded.

We advise our shareholders that they may exercise their voting powers at the annual general meeting by proxy, including by appointing an association of shareholders as proxy.

The invitation to the annual general meeting can be found in the internet at www.suedzucker.de.

Mannheim, July 2001

SÜDZUCKER AKTIENGESELLSCHAFT
Mannheim/Ochsenfurt
The executive board

Agenda

for the

preference shareholders' special meeting

to be held on Thursday August 23, 2001, directly after the annual general meeting, but not before 1.30 p.m., in the Mozartsaal of the Congress-Centrum Rosengarten, Rosengartenplatz 2, 68161 Mannheim.

The start of the preference shareholders' special meeting can be delayed, depending on the duration of the preceding annual general meeting.

Agreement to the resolutions set out in item 6 on the agenda of the annual general meeting held on the same day on the conversion of preference shares into ordinary voting shares.

The executive board and supervisory board recommend that the following resolutions be agreed:

1. The non-voting preference shares with no par value are to be converted into ordinary voting shares with no par value and the preferential dividend rights as set out in § 21 paras. 1 and 2 of the by-laws are cancelled.
2. § 4 para. 1 sentence 2 of the by-laws reads as follows:
"It is made up of ordinary shares with no par value and an imputed share of the capital of € 1.00 each."
3. a) § 4 para. 4 of the by-laws lapses.

b) § 4 para. 5 of the by-laws becomes § 4 para. 4.
4. § 17 sentence 2 of the by-laws is cancelled.
5. a) § 21 paras. 1 and 2 of the by-laws lapse.

b) § 21 para. 3 of the by-laws becomes para. 1 and is newly drafted as follows:

"The annual general meeting resolves the appropriation of unappropriated retained earnings."

c) § 21 para. 4 of the by-laws becomes para. 2.

Conversion of the non-voting preference shares with preferential dividend rights into ordinary voting shares requires a resolution passed by the annual general meeting with a majority of three-quarters of the share capital represented at the annual general meeting. Furthermore, the resolution on conversion requires the approval of the preference shareholders, who will resolve upon this matter by resolution at a special meeting, which requires a majority of three-quarters of the votes cast as set out in § 141 para. 3 sentence 2 Stock Corporation Law.

The executive board and supervisory board refer to their explanation of item 6 on the agenda for the annual general meeting for an explanation of their recommendation regarding the resolution.

Deposit of shares

Preference shareholders are entitled to attend the special meeting of preference shareholders and to exercise their voting rights on condition that they deposit their shares by Thursday, August 16, 2001 at the latest, either with the company or a securities depository, with a German notary public or at branches of the banks listed below and leave them in the safe custody of these depositories until after the special meeting of preference shareholders:

Deutsche Bank AG
Baden-Württembergische Bank AG
DG BANK Deutsche Genossenschaftsbank
Dresdner Bank AG
Landesbank Baden-Württemberg
Commerzbank AG

If shares are deposited with a notary public or securities depository, the original certificate of deposit or a notarised copy thereof must be submitted to the company by Friday, August 17, 2001 at the latest. Shareholders shall be deemed to have deposited their shares in the proper manner if shares are held at another bank with the agreement of an officially-recognised depository until the special meeting of preference shareholders has been concluded.

We advise our shareholders that they may exercise their voting powers at the special meeting of preference shareholders by proxy, including by appointing an association of shareholders as proxy.

The invitation to the special meeting of preference shareholders can be found in the internet at www.suedzucker.de

Mannheim, July 2001

SÜDZUCKER AKTIENGESELLSCHAFT
Mannheim/Ochsenfurt
The executive board

Supervisory board

Stephan Freiherr Zobel von Giebelstadt zu Darstadt

*Honorary chairman
Ochsenfurt*

*Former chairman of the Association of
Süddeutsche Zuckerrübenanbauer e. V.*

Dr. Hans-Jörg Gebhard

*Chairman (from August 24, 2000)
Eppingen*

*Chairman of the Association of
Süddeutsche Zuckerrübenanbauer e. V.*

Hans-Georg Andreae

*Chairman (to August 24, 2000)
Münster*

*Former chairman of the Association of
Süddeutsche Zuckerrübenanbauer e. V.*

Franz-Josef Möllenberg*

*Deputy chairman
Rellingen*

*Chairman of the Food and
Catering Union*

Dr. Ulrich Weiss

*Deputy chairman
Kronberg/Taunus*

*Former member of the executive board
of Deutsche Bank AG*

Ulrich Ambold*

Nuremberg

*Dipl. Kaufmann
Schöller Lebensmittel GmbH & Co. KG
(from August 24, 2000)*

Heinz Christian Bär Karben – Burg Gräfenrode

*Vice-President of the
Deutscher Bauernverband e. V.
(from Dezember 7, 2000)*

Karl Bös*

Ratingen

*Deputy chairman of the Group works
council of Schöller Holding GmbH & Co. KG*

Günter Denzig*

Witten

*Chairman of the works council of
Schöller Holding GmbH & Co. KG*

Helmut Drescher*

Wattenheim

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

Hartmut Eklöh

Hagen

*Former member of the executive board
of Douglas Holding AG
(to November 23, 2000)*

Walter Erhard*

Regensburg

*Deputy chairman of the works council
of Südzucker AG Mannheim/Ochsenfurt*

Paul Freitag

Oberickelsheim-Rodheim

*Chairman of the Association of
Fränkische Zuckerrübenbauer e. V.*

Hans Hartl*

Ergolding

*State area chairman of the
Food and Catering Union*

Dr. Christian Konrad

Vienna

*Chairman of the supervisory board of
AGRANA Beteiligungs-AG, Vienna*

Jörg Lindner*

Hamburg

*Divisional officer of the Food
and Catering Union*

Ulrich Müller

Illsitz

*Chairman of the Association of the
Sächsisch-Thüringische Zuckerrüben-
anbauer e.V.
(from August 24, 2000)*

Erich Muhlack*

Regensburg

*Manager of the Plattling, Rain and
Regensburg works, Südzucker AG
Mannheim/Ochsenfurt*

Reiner Schulz*

Römstedt

*Chairman of the works council of
Schöller Lebensmittel GmbH & Co. KG
Uelzen works
(from August 24, 2000)*

* Employee representative

** A listing of other board memberships is set out on page 101 of the annual report.

Executive board

Richard Schwaiger
Aiterhofen

*Chairman of the Association of
bayerische Zuckerrübenanbauer e. V.*

Dr. Bernd Thiemann
Kronberg/Taunus

*Former chairman of the executive board of
DG BANK Deutsche Genossenschaftsbank*

Edwin Vetter*
Nuremberg

*Chairman of the works council of
Schöller Lebensmittel GmbH & Co. KG
(to August 24, 2000)*

Peter Weber*
Oberasbach

*Deputy chairman of the works council of
Schöller Lebensmittel GmbH & Co. KG
(to August 24, 2000)*

Ernst Wechsler
Westhofen

*Chairman of the Association of
Hess.- Pfälzische Zuckerrübenanbauer e. V.*

Gerhard R. Wolf
Worms

*Former member of the
executive board of BASF AG*

Dr. Theo Spettmann
Spokesman
Ludwigshafen

*Corporate policy
Strategic corporate planning
Sugar sales
Public relations
Investments
Organisation and data processing
Personnel and social matters
Marketing*

Dr. Christoph Kirsch
Weinheim/Bergstraße

*Finance and accounting
Financial management/controlling
Operational corporate policy
Taxation, legal matters
Properties and insurance
Procurement of supplies and consumables*

Dr. Klaus Korn
Ochsenfurt

*Production and technologies,
Special products
Research/development/services
Quality management
Procurement/capital expenditure
and maintenance*

Johann Marihart
Vienna

*Raw material crops
Starch*

Dr. Rudolf Müller
Ochsenfurt

*Agricultural policies
Beet/feedstuffs and by-products
Farms
Research and development in
the agricultural division
Audit
Südzucker International*



*From left to right:
Dr. Christoph Kirsch,
Dr. Rudolf Müller,
Dr. Theo Spettmann,
Johann Marihart,
Dr. Klaus Korn.*

Sugar in small portions —
attractive packaging

Sugar sticks from Portion Pack



Südzucker Group and Südzucker AG

Foreword by the executive board

Dear shareholders,

In the 75th. year of its existence the Südzucker Group is once again going through a process of renewal. The parent company, formed as a sugar enterprise in 1926, has systematically extended its knowledge of the sugar business throughout these years, and has meanwhile become Europe's largest sugar supplier. Südzucker Group now has 41 sugar refineries located throughout Europe, from Belgium in the west, via Germany and Austria, to Poland, the Czech Republic, Slovakia, Romania, Hungary and Moldova in the east.

There has been a fundamental shift in the pattern of sugar consumers over the past few years. Today, over 80 % of all our sugar is delivered to processors, and less than 20 % is sold to private households via food retailers. This trend is continuing.

Within the sugar/sweeteners segment Südzucker has built up a strongly-growing division of highly-refined specialities. Functional food products and a broad range of ingredients supplied to food processing businesses have meanwhile increased in importance. The entire specialities division, including Insomalt, Inulin and starch-based products, now has a sales volume of almost € 500 million. These products are mainly used as food additives, but are also partly used for technical applications.

We have also expanded the ice cream/frozen food segment businesses in parallel with our sugar activities over the past few years. These consist of Schöller's ice cream products, Eismann direct sales, catering activities and Freiburger Group's pizza and pasta business. It was, and remains, our aim to be market leader in the sectors in which we do business, as this is essential for achieving and maintaining adequate levels of turnover and profitability in rapidly globalising markets.

We have only been able to achieve this objective on the German market. Due to the strong competitive positions already held by the major global food companies, growth opportunities can only be achieved in the rest of Europe at the cost of low levels of profitability. For example, Schöller is number three on the European ice cream market with a share of only 8 %, whereas the market leader has 40 % and the number two has a share of 12 %.

We have thus decided to reconsider Schöller Holding's strategic position within the Südzucker Group.

We are convinced that, by considerably strengthening our market position in the European sugar industry, we will be better able to deal with any further modifications to the sugar market regulations, and encourage growth of existing specialities in the Group, broadening their market. Past experience of the rapidly growing sugar segment also demonstrates that considerable synergies can be achieved in this area by enlarging the size of the Group.

We believe that in 2001/02 we will succeed in using and further extending our position as European market leader in this segment.

Südzucker Group's strategic plan was supported by the decisions made by the EU agricultural ministers in mid-May of this year. The EU has signalled its commitment to support regional beet farming and sugar production with its decision to maintain the sugar regulations to 2006. Despite the abolition of the warehousing cost equalisation levy, the reason for which are not clear to us, as European market leader of we see continued good opportunities to strengthen and expand our position.

The sugar industry, which is substantially interwoven with politics relating to agriculture and development aid, has increasingly had to adapt to liberalisation, internationalisation of its markets and customer concentration. Hence, over the past few years we have successfully developed plans to help us survive in difficult periods, thanks to entrepreneurial creativity and the willing input of our staff and beet farmers. With our clear strategic objectives we are able to take the initiative and act, rather than merely adapt. It has always been our particular strength that we are able to restructure and implement new strategies timely and from a position of strength, and hence we are never forced to react to situations as they arise.

We are thus particularly pleased to be able to present you, our shareholders, excellent financial statements, showing a 3 % increase in sales to € 4.7 billion (€ 4.5 billion)* as

* The numbers in brackets relate to the previous year.

Südzucker Group and Südzucker AG

well as an improvement of 19 % in operating profits and of 25 % in earnings per share. Particular success was achieved in the sugar/sweeteners segment by concentrating on those areas of the food market which fit to our core business activities and create new opportunities for growth. The sugar/sweeteners segment was able to deliver an increase in operating profits to € 351 million (€ 271 million) and an improvement in operating margin to 11.8 % (9.6 %).

Considering the extremely tough competition in the retail food industry and the poor weather conditions for the ice cream trade in 2000, we consider that maintaining ice cream/frozen food segment revenues at € 1.7 billion was a success. On the other hand, the decrease in operating profits to € 41 million (€ 58 million) was unsatisfactory, even though forecasts for the current 2001/02 business year indicate a sharp increase in profitability following implementation of fundamental restructuring measures.

Südzucker's share price moved ahead sharply during the past business year, but it still does not properly reflect our Group's earnings capabilities, potential and good growth prospects. Our new strategy will also contribute to a rise in the Südzucker share price.

Sincerely,

SÜDZUCKER AG Mannheim/Ochsenfurt
The executive board

Highlights from the group financial statements

Group sales rise by 3 %, operating profits by 19 %

Despite continuing overall weakness in the consumer goods area, the Südzucker Group was able to increase group sales by 3 % to € 4,664 million (€ 4,517 million) in 2000/01. Operating profits improved by 19 % to € 392 million (€ 329 million).

Core sugar business responsible for good results

The 2000/01 financial statements were marked by positive growth in the sugar/sweeteners segment. With increase revenues of 5 % to € 2,973 million (€ 2,830 million), operating profits improved by 29 % to € 351 million (€ 271 million). Operating margins increased to 11.8 % (9.6 %). Despite the decline in sugar production quotas, it was thus possible to achieve satisfactory increases in sales and profits through growth in eastern Europe as well as in the functional food and portion pack divisions. This growth was encouraged during 2000 by higher prices on the world sugar market and a decline in EU levies. Isomalt, the sugar substitute, achieved increased sales volumes of 12 %, Raftiline® and Raftilose®, the functional food products, grew by 40 %. Portion Pack Group, which operates in the small packaging business for the gastronomy and wholesale sectors, continued its expansion in Europe.

Sugar companies in eastern Europe could also considerably improve their results in their consolidating domestic markets. The positive expectations for durable competitiveness of Südzucker Group's eastern European activities were thus confirmed.

Disappointing ice cream season

The ice cream/frozen food segment suffered from a decline in ice cream sales volumes in the second half of 2000 due to extremely poor weather conditions in the main seasonal months of July and August compared with previous years. It was nevertheless possible to increase sales to € 1,692 million (€ 1,687 million), whereby operating profits fell to € 41 million (€ 58 million). In the ice cream division the decline in turnover in Germany could not be completely offset by growth in western Europe and stabilisation in eastern Europe. At Eismann-Heimdienst companies, in addition to difficult overall market conditions, increasing competitive intensity in the frozen food market and the debate on quasi self-employed persons resulted in organisational changes in the Eismann marketing organisation and a decline in turnover. Freiburger Group, which operates in the deep-frozen pizza and pasta business, was able to achieve considerable growth rates. Sales increased by 16 % to € 276 million (€ 237 million) in particular due to improved business in the rest of Europe outside Germany.

Restructuring and special items

Further cost reduction measures were carried out in the ice cream/frozen food segment which, together with other factors, led to one-time expenses of € 18 million. Restructuring costs, including costs for closure of the Delitzsch, Löbau and Zeil sugar factories, amounted to € 43 million (€ 16 million).

Net profits/earnings per share

Net profits for the year increased by 21 % to € 209 million (€ 174 million) and thus exceeded our budget for 2000. Net earnings for the year after minority interests rose by 27 % to € 188 million (€ 148 million). When considering the distribution and reinvestment capital increase carried out in the past year

Südzucker Group and Südzucker AG

and the resulting increase in number of shares issued, this led to an rise in earnings per share of 25.0 % to € 1.35 per share, compared with € 1.08 per share for the previous year.

Balance sheet and cash flow statement

Group total assets at February 28, 2001 increased by 5.8 % compared with the end of the previous year, to € 4,947 million (€ 4,677 million). The main reasons were higher sugar inventories and short-term securities. Group shareholders' equity increased by € 84 million to € 1,703 million (€ 1,619 million) and the ratio of shareholders' equity to total liabilities and shareholders' equity remained almost unchanged at 34.4 % (34.6 %). Non-current assets of € 2,387 million (€ 2,449 million) are 138.3 % (127.4 %) financed by shareholders' equity, medium-term and long-term capital. Net financial borrowings declined by € 23 million to € 600 million (€ 623 million) and represent 35.2 % (38.5 %) of shareholders' equity.

The total of tangible and intangible non-current assets decreased by € 47 million to € 2,066 million (€ 2,113 million), mainly due to impairment write-downs of goodwill and factory closures. On the other hand, working capital increased to € 766 million (€ 651 million) as a result of higher inventories and lower provisions for levies to finance the EU market regulation. Despite slightly higher capital employed totalling € 2,832 million (€ 2,763 million), the considerably improved operating profit (after goodwill amortisation) led to an increase of return on capital employed, to 12.7 % (11.3 %).

The increased net earnings for the year and depreciation led to € 26 million higher cash flows from operating activities, to € 498 million (€ 472 million). Capital expenditures in non-current assets decreased to € 215 million (€ 233 million). Capacity bottlenecks in

both the sugar segment and in the ice cream/frozen food segment led to a decline in required replacement capital expenditures. On the other hand, production capacity was extended at AGRANA starch, Orafti and Palatinit in order to be able to increase market share in these growing markets.

Investments in financial assets of € 37 million (€ 87 million) consisted mainly of the acquisition of PrimAS, Austria, the purchase of Strzyżów, the Polish sugar factory and an increase in investments in Slovakian sugar companies.

Profit distributions for the previous year of € 145 million (€ 77 million) were affected by Südzucker AG's special distribution and reinvestment dividend of € 72 million. The resulting capital increase led to € 68 million being reinvested in the company.

The increase of € 170 million in financial debt is due to the € 300 million bond issue in June 2000. The higher financial debt compares with an increase in securities and cash and cash equivalents of € 213 million.

Recommendation for appropriation of profits

The executive board will recommend to the annual general meeting that a cash dividend be made of € 0.34 per ordinary share and € 0.38 per preference share, together with an additional special distribution of € 1.00 based on a distribution and reinvestment plan. This will ensure that retained earnings which have been taxed at 40 % (EK40) in previous years are fully distributed to the shareholders. This is also necessary, for those shareholders entitled to receive a tax credit, to receive a tax credit of € 0.57 per ordinary share and € 0.59 per preference share for the last time. It is intended that the special distribution of € 143 million be reinvested in the company by means of a capital increase.

Related parties

According to a notification received by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart, the combination of its own holding of Südzucker shares and those held on trust by SZVG for its shareholders make up a majority holding in our company. The report on related party transactions, submitted as a result of this notification as required by § 312 of the Stock Corporation Law, concludes as follows: "With respect to the transactions and measures set out in this report and in view of the facts known to us at the time such transactions were made or such measures were, or were not, taken our company received appropriate consideration for each transaction and suffered no disadvantage as a result of the performance or non-performance of the measures."

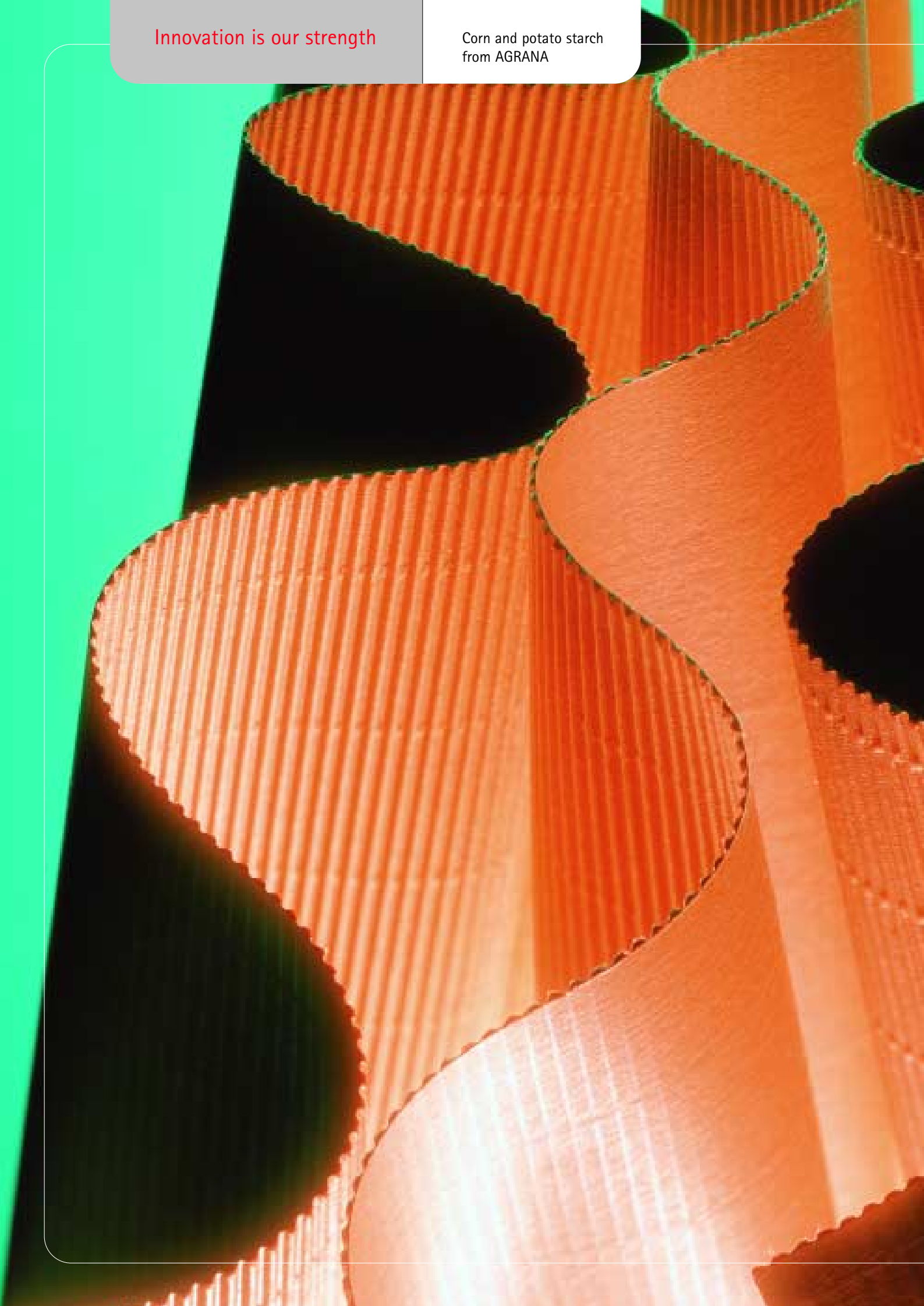


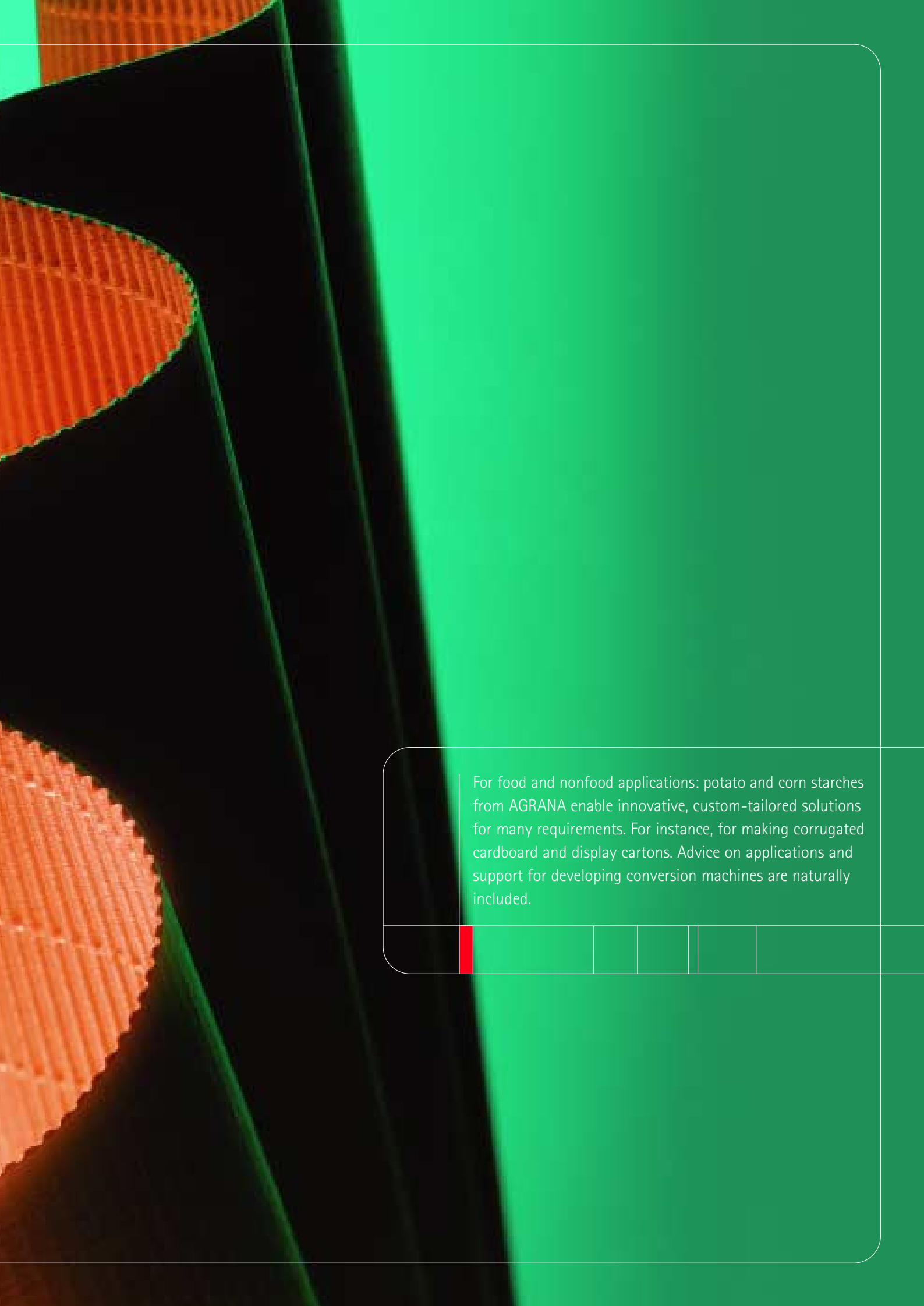
Views of the Ochsenfurt sugar refinery.



Innovation is our strength

Corn and potato starch
from AGRANA

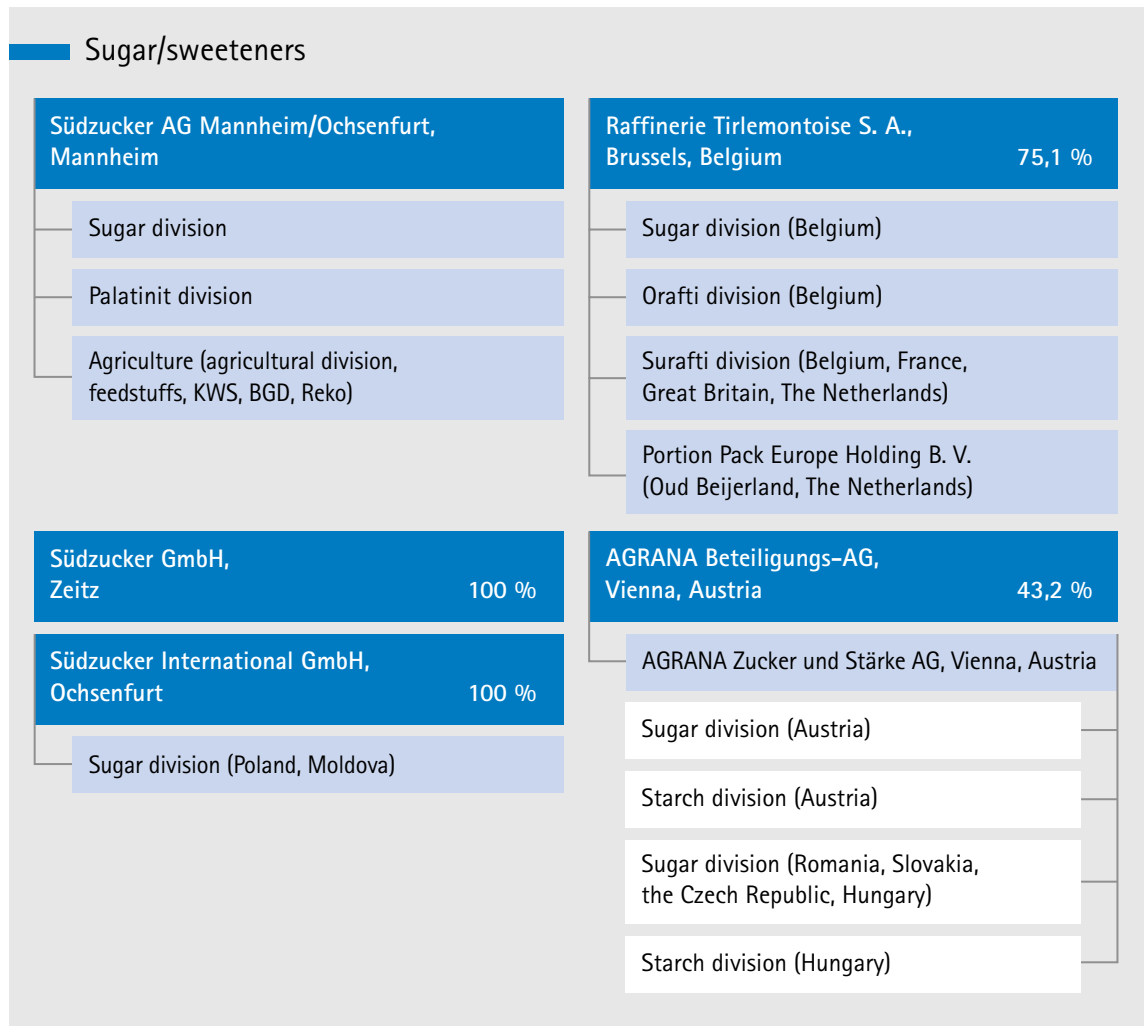




For food and nonfood applications: potato and corn starches from AGRANA enable innovative, custom-tailored solutions for many requirements. For instance, for making corrugated cardboard and display cartons. Advice on applications and support for developing conversion machines are naturally included.



Overview



Crystallised sugar.

41 sugar factories in 9 countries

The sugar/sweeteners segment includes the sugar activities of Südzucker AG, Südzucker GmbH and Südzucker International, Raffinerie-Tirlemontoise Group and the AGRANA Group. The special products and agricultural divisions are also part of this segment.

In 2000/01 the sugar group produced a total of 3.5 million tonnes of sugar (3.6 million tonnes) in 41 (39) factories, 22 (22) of which are in the EU and 19 (17) in eastern Europe, of which 15 % (12 %) relates to eastern Europe.

tional food ingredients. Portion Pack Europe covers all activities of the Südzucker Group in the small portions division supplying caterers and wholesalers.

The AGRANA Group operates in Austria and in central and east European countries in the sugar and starch sectors. 3 of the total of 13 sugar factories are located in Austria, with the remaining 10 in Romania, the Czech Republic, Slovakia and Hungary. Potato and corn-based starch products give AGRANA a successful foothold in the food and non-food industries.

Key figures for the sugar/sweeteners segment

	2000/01	1999/2000
Sales	€ 2,973 million	€ 2,830 million
Operating profit	€ 351 million	€ 271 million
Operating margin	11.8 %	9.6 %
ROCE	17.5 %	14.1 %
Capital expenditures	€ 133 million	€ 117 million
Investments in financial assets	€ 21 million	€ 82 million
Average number of employees during the year	12,841	13,121

Südzucker AG, Südzucker GmbH and Südzucker International produce sugar in a total of 23 (21) factories, of which 14 (14) are located in Germany, 5 (3) in Poland and 4 (4) in Moldova. Isomalt, the sugar substitute developed by Südzucker and produced from sugar beet, is marketed world-wide by Palatinit Süßungsmittel GmbH. The agricultural and feedstuff divisions together with BGD Bodengesundheitsdienst, the fertilisation consultants, are also directly allocated to Südzucker.

Raffinerie Tirlemontoise, Belgium is extremely successful in its traditional sugar segment as well as in functional food products and a broad range of addi-

Operating profit up by 29 %

The sugar/sweeteners segment increased turnover by 5 % to € 2,973 million (€ 2,830 million) and operating profits rose by 29 % to € 351 million (€ 271 million). The major factors for this positive result were the recovery in sugar world market prices, considerably improved results of sugar companies in eastern Europe and dynamic growth in the functional food products Palatinit and Orafti. Portion Pack Group also continued its expansion in Europe's small portion pack market. The starch division again achieved considerable gains in 2000/01, following strong growth in the previous year.

Sugar division

Market development

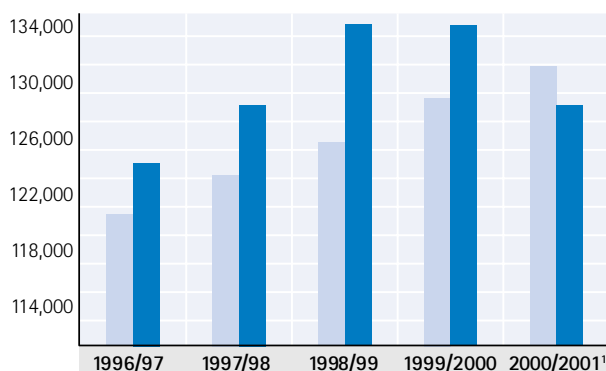
Global market

Decline in inventories supports prices

World sugar production was lower than consumption for the first time for six years in 2000. Declines in production compared with the previous year came particularly from Brazil and the EU. World market sugar prices reacted immediately, even though the production deficit, at 2–3 million tonnes, only led to a slight reduction in global sugar inventories of 59 million tonnes. An increase of 70 % to US \$ 280 per tonne in the six months between March and August 2000 demonstrates the sensitivity of the market.

Global sugar production and consumption

1,000 t raw value



	1996/97	1997/98	1998/99	1999/2000	2000/2001 ¹
Global sugar production ²	124,185	128,262	134,959	134,687	128,301
Global sugar consumption ²	120,894	123,159	125,407	128,878	131,251
Beet sugar as a percentage of total production (%) ³	30.6	30.4	27.7	27.4	28.0
Inventories at August 31 as a percentage of consumption (%) ²	38.6	40.5	45.4	47.3	43.2

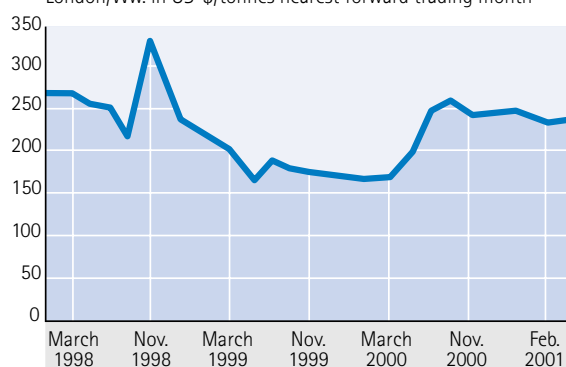
¹ Estimate

² F.O. Licht's Europäisches Zuckerjournal No. 10 dated 22.3.2001 "Second Estimate of Global Sugar Levels 2000/01"

³ F.O. Licht's Europäisches Zuckerjournal No. 6 dated 12.2.2001 "Second Estimate of Global Sugar Production 2000/01"

Global market prices for sugar March 1998 – February 2001

London/Ww. in US-\$/tonnes nearest forward trading month



A global increase of 1.7 % in sugar consumption is expected. Consumption in countries with high birth rates in Asia and Africa is expected to grow by 3 %, whereas demand in Europe and America will only increase by 1.5 %. Russia and China remain substantial sugar importers. Eastern and south-eastern Europe have proven to be interesting markets for the EU as a whole and for Germany in particular.

Future price movements on the world market will depend to a considerable extent on whether the large producer countries will see an incentive in current global market prices to increase production and hence their exports.

European Union

Market regulation shows flexibility

The annual review of subsidised exports of sugar by the EU Commission as part of the agricultural agreement with the WTO led to a reduction of 3.3 %, or 478,276 tonnes of sugar, in the EU maximum quota (declassification) for the 2000/01 sugar year. This amounted to 140,607 tonnes for Germany and represents a reduction of 4.1 % to the German maximum quota.

In anticipation of the expected quota reduction, the area of sugar beet under cultivation in the EU in 2000 declined by 7 % to 1.819 million hectares (1.963 million hectares). Due to high sugar yields per hectare, sugar production in the EU fell by only 5 % to 17.0 million tonnes (17.9 million tonnes). The Commission have stated that 1.0 million tonnes (1.6 million tonnes) of C-sugar will be carried forward to 2001/02.

In agreement with the EU Commission's recommendation, the EU agricultural ministers have resolved to retain sugar beet and sugar prices unchanged for the 15th. year in succession for 2000/01. The monthly storage levy and storage cost subsidy rates also remain unchanged.

As expected, the EU Commission set a supplementary levy of 18.51 % for 1999/2000, which considerably affected the previous year's results. For Germany, whose production levy for 1999/2000 amounted to a total of € 235.9 million, this meant a supplementary levy of € 43.7 million calculated using the above-mentioned rates, representing an average € 1.27 per 100 kg refined sugar.

Sugar industry supports developing countries

The EU sugar industry already contributes to the stabilisation of the global market through its export restrictions and quota declassification. In addition to existing agreements with ACP countries (Africa, Caribbean, Pacific), customs-free access to EU

EU sugar market

Countries	2000		White sugar value 2000		
	Area under beet cultivation 1,000 ha	Sugar yield t/ha	Basis quota 1,000 t	Sugar production 1,000 t	Sugar consumption 1,000 t
Germany	451	9.62	2,638	4,359	2,753
France	361 ¹	11.94 ¹	2,996 ²	4,570 ²	2,177
Italy	240	6.30	1,320	1,544	1,411
The Netherlands	112	9.47	690	1,061	642
Belgium/Luxembourg	95	9.92	680	942	544
Denmark	58	9.20	328	533	245
Ireland	33	6.63	182	219	135
Great Britain	150	8.83	1,040	1,325 ⁴	2,187
Greece	50	7.34	290	367	306
Spain	130	8.18	960	1,071	1,268
Portugal	8	7.21	73 ³	57	327
Austria	43	9.00	317	411	309
Finland	32	4.70	133	153	223
Sweden	56	7.36	336	412	375
EU-15	1,819	9.19	11,983	17,024	12,902

Source: Directorate-General for Agriculture, Brussels

¹ Excluding overseas "departements" ² Including overseas "departements" ³ Incl. the Azores

⁴ Sugar beet. Including approx. 1.5 million tonnes of ACP preferential sugar, overall production amounted to 2.8 million tonnes.

markets was granted to the least developed countries (LDC). After a transition period in which export opportunities are initially allocated, there will be unlimited access for these countries as from July 2009.

Broad support for continuation of the sugar market regulation

On May 22, 2001 the EU's agricultural ministers, supported by a clear vote from the EU parliament, agreed in principle to prolong the sugar market regulation for another five years. This resolution sends a clear signal to sugar beet farmers and sugar producers in the EU for the coming years. Hence, despite the lifting of the storage cost support system agreed by the council of ministers, the future of sugar beet and sugar production in Europe remains secure. Furthermore, prolongation of the market regulation through 2006 has given those countries in central and eastern Europe applying for membership of the EU the basis so necessary for them to plan for the future.

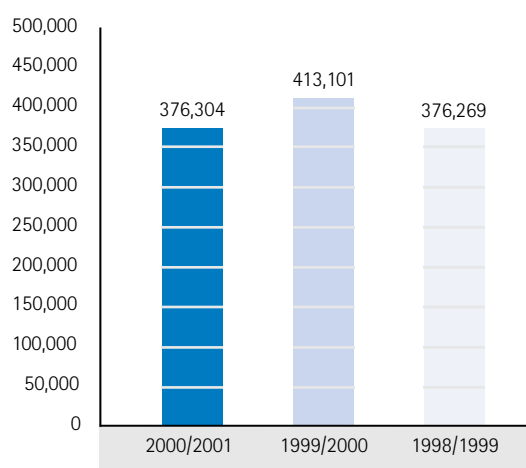
Germany

In Germany, sugar production for 2000/01 of 4.4 million tonnes (4.4 million tonnes) almost reached the previous year's record results, despite a reduction of 7.6 % in the area under cultivation. The main reason for this was the unusually high sugar beet harvest due to good weather conditions, yielding 27.9 million tonnes (27.6 million tonnes) of beet. Overall sales volumes including exports for the 1999/2000 sugar year reached 4.5 million tonnes (4.2 million tonnes), with 3.7 % higher domestic sales of 2.9 million tonnes (2.8 million tonnes).

Performance of the Südzucker companies

The WTO-induced reduction in area under cultivation for the Südzucker Group in the EU led to a decrease in sugar production for the Südzucker Group to 3.5 million tonnes (3.6 million tonnes). Overall, Südzucker Group's 41 (39) works processed 22.3 million tonnes (23.4 million tonnes) of beet with an average sugar yield of 17.17 % (17.46 %). There were considerable variations in sugar yields per hectare, which reached 10.4 tonnes per hectare (10.1 tonnes per hectare) in the EU compared with 5.8 tonnes per hectare (5.1 tonnes per hectare) in eastern Europe. The campaign lasted 83 (89) days in the EU and 51 (64) days in eastern Europe, shorter than the economically optimum duration. The restructuring program which has already been approved will considerably improve this situation in Germany.

Group area under beet cultivation (ha)



Beet harvest and campaign

Record yields in Germany

In Germany, due to the unusually beneficial weather conditions for beet cultivation and despite the WTO-related decline in area under cultivation, there was a

record harvest of 12.1 million tonnes (11.6 million tonnes) of beet from 174,200 hectares (188,800 hectares) under cultivation for Südzucker AG and Südzucker GmbH. As the sugar beet content was 17.5 % (18.2 %) and thus did not reach the previous year's extremely high levels, sugar production was similar to that of the previous year at 1.85 million tonnes (1.83 million tonnes). The harvest and sugar factories ran smoothly throughout the campaign.



Regional plans to protect beet clamps from frost were successfully implemented throughout southern Germany three years ago. Protection from frost damage not only reduces loss of quality for beet farmers and sugar factories, but also helps improve removal of earth cling.

www.bisz.suedzucker.de

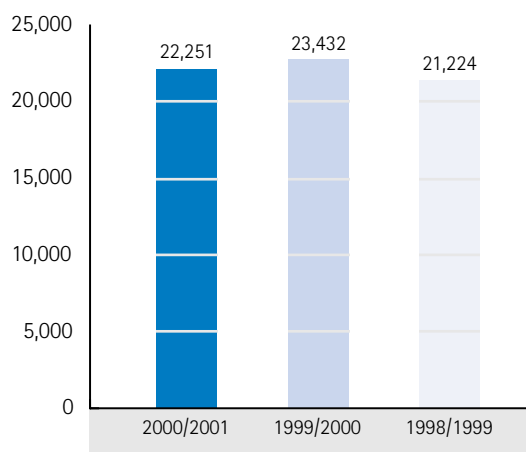
Advice for beet farmers on the internet

BISZ, the advisory and information system offered by the south-German sugar industry, is being used increasingly by farmers. Dialog programs covering optimal cultivation areas and beet concentration have been developed. Further improvement and expansion to the range of interactive advisory services available on the internet is planned for 2001.

In **Belgium**, due to a 10 % decline in area under cultivation to 70,000 hectares (77,000 hectares) and a sugar content of 16.9 % (17.1 %), Raffinerie Tirlemontoise produced 715,700 tonnes (826,200 tonnes) of sugar. Despite the good quality of beet and trouble-free campaign, the industry suffered from higher energy and transport costs.

In **Austria** 2.63 million tonnes (3.27 million tonnes) of beet with an average sugar content of 17.2 % (17.0 %) was harvested for AGRANA on an area of 42,800 hectares (46,700 hectares). As a result, sugar production amounted to 411,200 tonnes (501,100 tonnes). The almost trouble-free sugar beet processing and improvements made in the production process increased daily beet processing capacity at the three Austrian sugar factories to 35,600 tonnes (34,300 tonnes).

Group beet processing (1,000t)



In the **central and east European countries** of Hungary, the Czech Republic, Slovakia and Romania a total of 1.6 million tonnes (2.2 million tonnes) of beet with a sugar content of 15.81 % (15.82 %) was harvested from an area of 47,500 hectares (51,700 hectares). Including raw sugar processing in Romania, total production amounted to 345,600 tonnes (386,600 tonnes) of sugar.

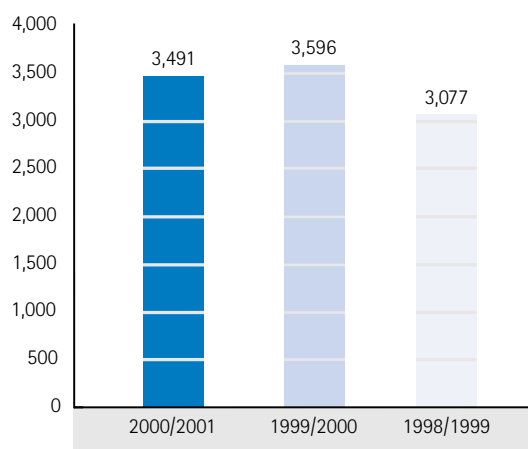
Südzucker AG's subsidiaries and participating interests in **Poland** produced 127,200 tonnes (93,500 tonnes) of sugar in five factories from an unchanged area under cultivation of 21,300 hectares (21,600 hectares), due to increased beet yields and sugar content. Südzucker Group's four factories in **Moldova** produced 46,100 tonnes (44,500 tonnes) of sugar.

Of the Südzucker Group's sugar production of 3.5 million tonnes (3.7 million tonnes), 15 % (14 %) were produced in eastern Europe.

Sugar sales volumes

Südzucker AG and Südzucker GmbH stabilised their domestic and export market share in 2000/01 at a high level and were able to again exceed the previous year's extremely good results, with sales of 1,765,300 tonnes (1,744,200 tonnes) of sugar. This overall growth is made up of domestic sales at the same level as for the previous year of 1,101,700 tonnes (1,112,400 tonnes), and 5 % higher exports of 663,600 tonnes (631,800 tonnes).

Group sugar production (1,000 t)



In Germany, increased sugar deliveries to the sugar-processing industry were again offset by a decline in sales volumes to the food retailing industry and hence in the household sugar sector. This trend is occurring not only in Germany, but also in other European countries. In order to counteract this phenomenon, the range of sugar products for the retail food industry has been expanded to include specialities which are attractive to young consumer groups and are intended to increase the profitability of the sugar product range for the retail industry.

Intense competition in the retail industry continued unchecked. The federal cartel office intervened for the first time, forbidding retailers to sell products at prices consistently lower than purchase price. This step led to an increase in consumer retail prices, including for base products within the sugar range.

The newly-established marketing organisation, reflecting increasing globalisation and a concentration of international key accounts, proved its worth. Specific customer demands can be met more flexibly. Südzucker Group has created a powerful, group-wide information and communication system to deal with increasingly complex information and agreement processes arising from internationalisation. This system is particularly designed to meet customer needs as well as handling internal group matters. Südzucker is also intensively involved in creating e-business solutions aimed at further expanding and improving service performance.

A large number of customer audits were carried out as part of Südzucker's quality management program. These discussions help identify and remove any existing weaknesses and at the same time strengthen customers' confidence in Südzucker's products. This improved quality and safety initiative was carried out enthusiastically by all our staff.

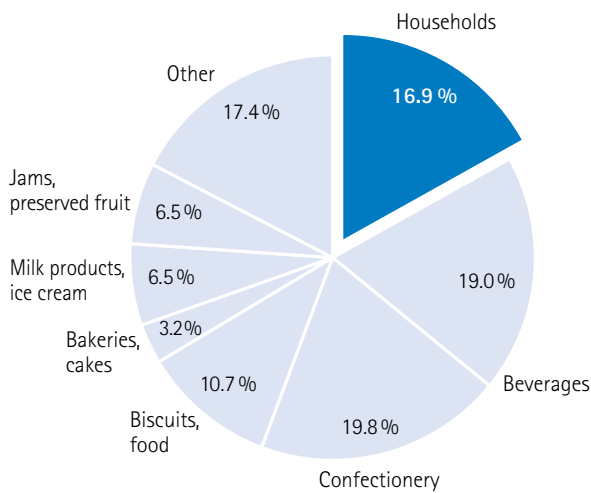
The increase in sugar sales volumes of **Raffinerie Tirlémontoise** by 17 % to 784,500 tonnes (661,000 tonnes) is mainly attributable to exports, which could again be increased due to the previous year's record production volume. Sales volumes in the EU, which were negatively affected by exceptional matters in 1999/2000, again increased, whereby the substitution of home-made desserts by ready-made products continued to lead to a decline in household sugar sales volumes.

subsidiaries in central and eastern European countries, total sugar sales for the AGRANA Group amounted to 902,000 tonnes (852,000 tonnes).

In **Poland** sugar sales have been processed by Cukier Królewski, the marketing company, on behalf of all the majority-held companies within the Südzucker Group since 2000. This enabled us to improve our market position and will give us the opportunity of offering a greater range of products in future.

In **Moldova** it was also possible to intensify customer contacts, establish a joint overall brand and stabilise exports.

Consumers of sugar in 1999/2000 in Germany



Südzuckergroup Export Centre S. A. (SEC), Brussels was formed last year to further strengthen Südzucker Group's export business activities. SEC is responsible for exports to other countries of sugar produced within the Group in Belgium, Germany and Austria. Thus, 16 % of the 6 million tonnes of sugar exported from the EU this year is from Südzucker Group. Sugar can be delivered to all markets, to eastern Europe and central Asia, as well as to harbours in northern Europe (Antwerp/Hamburg) and southern Europe (Koper on the Italian/Slovenian Adriatic coast).

Sugar sales volumes in Austria for **AGRANA** reached 465,000 tonnes (498,000 tonnes). There was also a slight decline in household sugar sales in Austria, but this was more than offset by an increase in sales to food processors. Customers producing alcohol-free drinks provided most of the growth. Overall, domestic sales volumes reached 341,000 tonnes (349,000 tonnes) and exports amounted to 124,000 tonnes (149,000 tonnes) of sugar. Including sugar sales of 437,000 tonnes (391,000 tonnes) by AGRANA's

This bowl holds much more
than healthy grain

Muesli from Mönnich





Various cereals, fruit and more – there are virtually no limits to the imagination in putting together mueslis. A special ingredient is oligofructose, made by the Tirlmontoise sugar refinery, a soluble fiber with undeniable health benefits. A steady stream of new recipes are being developed to open up new uses and markets for these functional food products.



Special products division

Customer focus supports further growth

Palatinit Süßungsmittel GmbH, Mannheim was able to continue the dynamic growth of Isomalt, the sugar substitute, in 2000/01. The product's good market position could be further expanded in particular in the area of sugar-free sweeteners. Concentration of world-wide marketing activities on sugar-free hard caramels and chewing gum pellets led to considerably higher penetration of these markets. This success was supported by a specific range of services which substantially improved customer relations. Penetration of the high-growth sugar-free chewing gum pellets market was particularly satisfactory. Major producers from the USA and Japan have voted for Isomalt. A further high-growth market for Isomalt arises from the successful market penetration made by functional food products, for which Isomalt is an ideal base material.

Broadening the product range gives customers additional application opportunities and also leads to differentiation from rapidly growing competitive products from around the world. Constant invest-

ment in capital expenditures, research and development and a further expansion of production capacity are all making a considerable contribution to maintaining cost leadership in this intensive competitive product segment in the future.

Innovation creates new markets

In the **Orafti division** past substantial growth rates also continued in 2000. A 40% growth rate was achieved with inulin and oligo-fructose, the functional food products. The market launch of the new RAFTILOSE® Synergy1 product, which improves calcium intake in the body, has caused many food producers to develop new functional food products containing RAFTILOSE® Synergy1. In this connection, a marketing campaign for the end-user was started using the Beneo® name, which aims to inform them of the positive health aspects of inulin and oligo-fructose.

Orafti could also achieve significant growth in the liquid sweeteners sector with the introduction of a concept offering consumers integrated sweetener solutions. Orafti can offer the European food industry innovative sweetener alternatives through a combination of the special product benefits of sugar with fructose and glucose produced from chicory.

Palatinit exhibition stand at the Food Ingredients Asia-China fair in Shanghai, April 2001.



TI'Flora, an R.T. product, contains sugar and inulin to improve digestion.



This success is based on the technical, logistical and economic advantages of the Orafti product range, as well as in providing individually-tailored sweetener solutions to customers.

The **Portion Pack Europe Group** operates with its six European companies in the area of portion pack articles for the catering industry and large-volume consumers. Income could be substantially increased in the past year. Innovation in the core pre-packed sugar range contributed to this improvement. Based on the success of sugar sticks, the triangular "Lucky Sugar" pack was successfully launched on the market in 2000. Growth is being achieved by new products and designs together with geographic expansion to new markets. In this connection, a Polish subsidiary was formed in April 2001, which has production facilities located at Lubna, the Group's Polish sugar factory.

Companies operating in the **Surafti division** mainly supply food additives to food processors in the bakeries industry. The companies located in Great Britain and France produce fondant specialities, bakery additives, nougat specialities and food decoration products.

The **starch** division is operated for the Südzucker Group by AGRANA. The previous year's growth was again substantially exceeded in 2000/01, leading to an increase in turnover of 7 % to € 114.6 million (€ 107.1 million) and a continuing improvement in profitability. This growth was encouraged by an overall upturn in the market, an upgrading of the product mix and production expansion in Aschach. Of overall sales volumes of starch products of 181,000 tonnes (179,000 tonnes) just over half, or 92,000 tonnes, were to the food sector. AGRANA has also been successful in selling to the technology sector, offering an innovative product segment. HUNGRANA, which produces corn-based starch and iso-glucose in Hungary, further increased revenues by more than 25 % in 2000.



Lucky Sugar, the sugar sachet brought to market in 2000.

Agriculture

Ecological and economical optimisation of crop farming

Südzucker AG's traditional **agricultural operating activities** achieved good results in the past year and recorded further successes within its primary objective of "agricultural experimentation". The stabilisation of results in the agricultural division could be achieved despite lower producer prices due to higher grain harvest yields and an extremely good sugar beet harvest, but also due to an ongoing optimisation of planting processes together with improved cost structures and use of state-of-the-art agricultural technology.

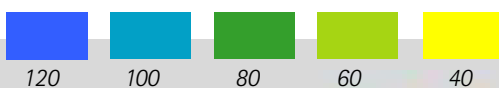
Controlled area crop farming more than just a dream

A major part of experimentation activities in 2000 was the "mosaic" planting research project. This is a research program for controlled area crop farming which has already shown great success. The achievements made in co-operation with Bodengesundheitsdienst lead to expectations of a further improvement in nutrient usage and hence more effective planting techniques.

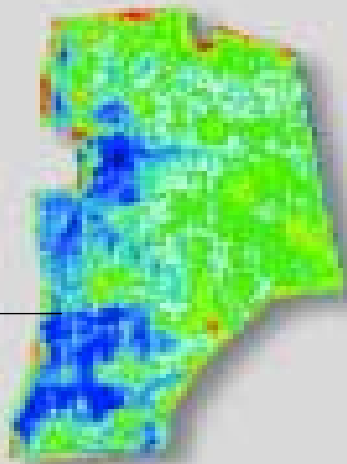
Optimal use of arable land is central to the controlled area crop farming project. Information gained on production conditions for crop farming is available to the farmer and consumer. Ecological and economical optimisation of crop farming is made possible by using an integrated system designed from the project research results. Information on logistics, use of machinery and work carried out is combined to result in an even higher level of environmentally-friendly crop farming.

Part of this system results from GPS-aided soil sampling, measurement of electric conductivity and the determination of existing water supplies, enabling crop farming areas to be divided into management zones. Optical sensors are implanted in grain, which measure the chlorophyll content of the plants during the growing season and hence determine nutrient requirements for the zone. The amount of nutrient to be added is thus optimally adjusted to the actual needs of the crops, i.e. fertilisation requirements are determined individually based on the specific crop concerned. This ensures that there is no oversupply of nitrogen and thus minimises the level of nitrate emissions into the environment.

Fertilizer quantities in %



Infra-red pictures show crop growth patterns. This photographic data can be processed in information systems and hence regulate the quantity of nitrate fertilizers needed.



The quantity of nitrates absorbed by plants can be measured in many ways. Hand-held pliers measure the nitrate levels in plant juice to determine absorption levels.



The development of a 3-litre car by the automobile industry is a good comparison to the technological leap forward made by data networks in agriculture, which will provide economical and ecological benefits in the future.

The **feedstuffs division** markets molasses pellets and molasses, by-products of the sugar production process. Beet pellets are only used as feedstuffs, whereas molasses is also used as a raw material for other industries, particularly the fermentation industry.

Despite a drop in grain prices in mid-2000 and the related negative effects on the feedstuffs market, sales of the 2000 production fetched higher prices than in the previous year. The improvement in revenues resulted mainly from substantially higher demand by south-German mixed-feed producers, who clearly have increased their share of molasses pellets in their mixed-feed recipes. It was thus possible to completely clear inventories by the beginning of the 2000 campaign, although exports to The Netherlands, England, Ireland and Scandinavia, which involve more freight costs, declined.

The situation for marketing products from the 2000 campaign was made more difficult by BSE and foot-and-mouth disease. Quantities produced from the 2000 campaign have been sold, but sales were slow and advance sales of quantities produced from the 2001 campaign have been extremely limited.

However, it can be assumed that domestically-produced, high-quality raw materials such as molasses pellets will again be increasingly used in animal feed, provided the regulators introduce open declarations of all the elements making up mixed feed.

Pressed pellets produced in Südzucker GmbH's works are also affected by the difficulties described above.

After marketing molasses produced from the 2000 harvest was negatively influenced by strong price pressures, advance sales of the 2001 harvest yielded much improved revenues, due to firmer prices.

The N-tester measures chlorophyll levels in leaves and then calculates nitrates needed. The hydro-N-sensor is non-tactile and measures grain leaves with the help of sensors. Fertilizer levels can then be calculated and distributed for each part of a field.



Successful soil care for over 20 years

BGD Bodengesundheitsdienst GmbH, Mannheim is a 100 % Südzucker subsidiary and offers services to agriculture. Its main areas of activity are soil testing and fertilisation advice covering all major crop fertilisers, humus testing and organic fertiliser analysis. Furthermore, in connection with requirements set out in statutory ordinances, nutrient comparisons are carried out in accordance with the fertiliser ordinance and potato examinations are made in accordance with the potato ordinance.

In forming the company some 20 years ago, Südzucker started pioneer work in the private sector long before the topic of ecology in agriculture became a subject of broad public interest.

The main area of activities is providing fertiliser advisory services. This is given on the basis of the EUF soil examination method, by which all major crop fertilisers (nitrogen, phosphate, potash, lime, calcium, magnesium, borate and sulphur) are determined by soil analysis and from which effective

fertilisation recommendations are calculated. The interest of farmers is high and voluntary EUF soil examinations are carried out annually for an area totalling 150,000 hectares. Since its foundation in 1982 more than 18 million nutrient examinations have been carried out at the Justus-Liebig laboratory in Rain, Lech. Fertilisation recommendations are being made meantime for many crops.

50 % less nitrogen fertiliser

Testing is carried out every year for more than half the area of sugar beet under cultivation. The intensive use of EUF methods has completely changed the fertilisation of sugar beet. Since 1982 nitrogen fertilisation has declined by 51 %, phosphate by 73 % and potassium by 64 %. Taken together with other crop cultivation measures, this has led to improvements in sugar beet yields, quality and sugar content, whilst fertilisation costs have decreased. The success in reducing nitrogen fertilisation has also made a significant contribution to the environment. This is demonstrated by the level of nitrification content in beet soil after the sugar beet harvest in

New compost plant at Plattling.



Marking out strips of land for field testing.



the autumn, which has been halved over the past 20 years. Hence, sugar beet is a beneficial crop for water purification purposes.

Further consulting services are humus testing and determining the nutrient content of organic fertilisers. The nutrients contained in organic fertilisers can then be included in fertilisation planning.

EUF soil testing is a method recognised by the government for implementing the fertilisation ordinance. Based on positive past experience, fertilisation advice is now often given in close co-operation with official services. This is illustrated by the close co-operation with the Bavarian state office for wineries and landscape gardening when soil testing at wineries.

Bodengesundheitsdienst is the only officially recognised private laboratory entitled to carry out testing for bacterial disease of potatoes under the terms of the potato ordinance.

Consulting services use the results of fertilisation projects carried out jointly with working groups throughout southern Germany. Soil testing is carried out in close co-operation with the employees of sugar beet departments in sugar factories and the control board for testing and advisory services. Hence, the latest know-how in fertilisation advisory services is tested and implemented in practice in co-operation with Südzucker's agricultural division.

KWS SAAT AG, Einbeck, in which Südzucker AG holds almost 25 %, again strengthened its market position in 1999/2000. With an overall declining market volume for certified seed products the company achieved group revenues of € 333.9 million (€ 331.5 million).

Earnings of KWS Group for the year increased by 25 % to € 23.0 million (€ 18.4 million). The annual general meeting resolved an increased dividend of € 7.00 (€ 6.65) per share. Furthermore, a one-time bonus of € 3.00 per share was made in connection with the repeal of the corporation tax credit system by the Tax Reduction Law.

It has been KWS's policy to concentrate on further strengthening its ties with other plant breeders.

Composting plant in Plattling

REKO Erdenvertrieb GmbH produces high-value compost and substratal soil from vegetation and earth cling on beet delivered to the factory and thus recycles this natural product back into the ecosystem. The compost works in Regensburg have been in operation since 1989 and the Plattling plant was opened last year. The Regensburg and Plattling plants can produce a total of 25,000 m³ of compost and substratal soil with an input capacity of 120,000 m³ of vegetation. There has been co-operation in Regensburg since 1989 with the city of Regensburg for vegetation usage, whereas the Plattling plant accepts vegetation from the entire area. Increased sales figures for substratal soil show clearly that marketing high-value soil-based products is a promising concept in the increasingly competitive compost and soil market. The main customers are gardening and landscape gardening businesses, as well as owners of private gardens.

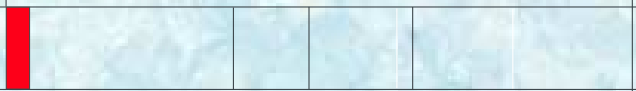
A great new idea

Load from Schöller

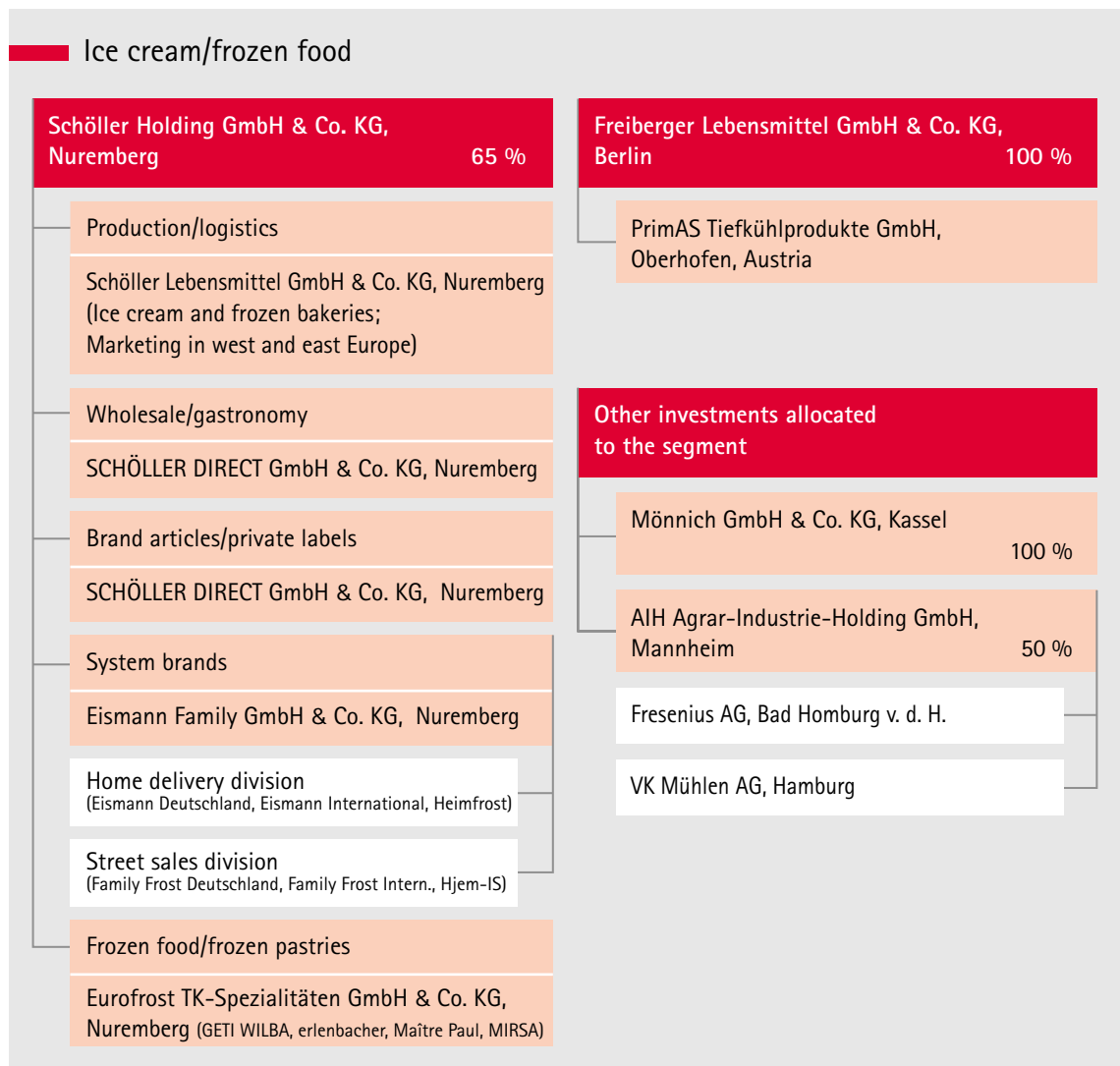




This ice cream is enjoyed ice-cold right from a tube. No matter how hot the summer gets, Load won't drip on clothes or the sand. With dextrose added for extra energy.



Overview



Alberto-pizza, from Freiberger.



The ice cream/frozen food segment includes the activities of Schöller Holding Group, Nuremberg and Freiburger Group, Berlin. Companies within this segment were able to maintain the previous year's sales of € 1,692 million (€ 1,687 million) in a market which in Germany continued to be subject to high pressures on margins and stagnating retail sales. The collapse of ice cream sales in Germany and western Europe due to poor weather conditions could be offset by continuing successful growth of the frozen food/frozen bakeries product group. Frozen food/frozen bakeries' share of overall sales for the segment thus increased to 57 % (54 %). The strategy of increasingly accessing

July and August due to poor weather conditions. In Germany, all Schöller Holding's marketing channels were affected. Furthermore, entry to the Turkish ice cream market again negatively affected results.

Further pressure on profits resulted from rising fuel costs and the high US dollar exchange rate, which led to considerable increases in the cost of raw materials for individual companies within the segment. The sale of the Lady Cake operations at the end of 2000 lifted the pressure on profits originating from this division.

Key figures for the ice cream/frozen food segment

	2000/01	1999/2000
Sales	€ 1,692 million	€ 1,687 million
Operating profit	€ 41 million	€ 58 million
Operating margin	2.4 %	3.4 %
ROCE	2.9 %	5.6 %
Capital expenditures in tangible non-current assets	€ 82 million	€ 116 million
Investments in financial assets	€ 16 million	€ 5 million
Average number of employees during the year	15,574	16,458

the market potential of western and eastern European countries has led to further increased revenues in these markets in 2000/01. Overall, the ice cream/frozen food segment achieved an unchanged 37 % share of total turnover of the Südzucker Group.

Operating profits declined due to special factors to € 41 million (€ 58 million), despite budgeted and achieved cost reductions. Ice cream operations in 2000/01 were substantially affected by the decline in small portion sales in the main sales months of

Market development

The German ice cream market, which is of significant importance for Schöller Holding, suffered a reduction by value of 10 % in the past year due to extremely poor weather conditions in the main sales months of July and August compared with a number of past years. The small portion ice cream sector, which is a

Ice cream/frozen food

strong contributor to profits, was particularly affected with double-digit declines both in the retail area as well as in other sales channels. Average price levels fell by 3 %, which is also due to a continuing trend to private labels. The difficult market conditions in Germany could not be avoided by the Schöller Holding companies, but it was possible to maintain a market share of approximately 30 % by value.

In neighbouring European countries developments were varied in 2000/01. In western Europe, in particular in France and the Benelux countries, the market was similar to that in Germany. In Austria there was a slight improvement following the declines suffered over the two past years. Markets for Schöller in eastern Europe were also varied. In Hungary growth was achieved in both quantity and value, whereas in Poland and the Czech Republic the market was flat. Medium-term growth forecasts for the Turkish ice cream market remain intact. Overall, Schöller companies could maintain or slightly improve their market

position throughout western and eastern Europe. Deep-frozen food, which has been one of the few growth segments within the German food industry over the past few years, could expand again in 2000. Market volumes by quantity increased by almost 4 %. The increase in value terms was not quite as high due to a larger overall retail market share. Growth was shared equally between household-sized packages and large consumers. The main driver of growth in sales to private households, for which no-name products meantime make up more than a quarter of turnover, was deep-frozen pizzas. The German deep-frozen pizza market could maintain its continuous growth achieved over the past few years. Growth was also satisfactory for the Freiberger Group in neighbouring European markets. The successful integration of PrimAs Tiefkühlprodukte GmbH, Austria, into the Freiberger Group in the past year released synergy potentials in the production and marketing areas, again improving Freiberger Group's position on the European pizza market.

Schöller's La Crema.



Family Frost in Seville.



Further divisions allocated to the segment

Those companies in which **AIH Agrar-Industrie-Holding GmbH**, Mannheim has an investment grew successfully.

VK Mühlen AG, Hamburg could increase its group revenues in 2000 to € 443 million (€ 374 million) due to its merger with BM Bäckermühlen AG. An unexpected increase in grain prices in the first half of the year, which had a negative effect on earnings, was more than offset by the increase in flour prices and synergies from the merger with BM Bäckermühlen AG, so that the group earnings for the year exceeded the previous year's amount, at € 3.6 million.

Of particular importance for the further growth of the VK Group was the merger effective October 1, 2000 of the two market leaders in the German noo-

dle market, Birkel Teigwaren GmbH and 3 GLOCKEN GmbH. The rationalisation effects from the merger with BM Bäckermühlen AG will have their full effect in 2001. The opening of new production locations for innovative products, in particular in the functional food area, will also make a positive contribution. Overall VK-Mühlen AG expects a considerable improvement in profitability in 2001.

Fresenius AG, Bad Homburg v. d. H. increased group revenues by 23 % to € 6,099 million in 2000. Group EBIT rose by 27 % to € 756 million and group net earnings for the year increased by 31 % to € 266 million. Fluctuations in foreign currencies, above all of the US dollar to the euro, had a positive effect on Fresenius Group's results. Using unchanged exchange rates, the increase in revenues would have been 12 %, the increase in EBIT 16 % and net earnings 23 %. Double-digit growth is again expected for revenues and profitability in 2001.



Food trend guide by Schöller.

The number of personnel within the Group decreased, mainly due to structural improvement measures in the Schöller Group, to 28,415 (29,579). The slight decrease in number of employees in the sugar group to 12,841 (13,121) arose above all in the AGRANA Group and Moldova. In the ice cream/frozen food segment personnel numbers decreased to 15,574 (16,458). This was due to the rigorous implementation of restructuring measures and improved organisational processes in Germany and in western and eastern Europe.

Of the 28,415 (29,579) employees in the Group 12,147 (11,956) were located in Germany, 6,385 (7,325) in the other EU countries, 9,500 (9,911) in eastern Europe and 383 (387) in other countries.

specific needs, is thus highly rated by all companies within the Group. For example, at Südzucker AG and Südzucker GmbH the already high number of apprentices rose to 11.6 % (10.7 %), based on the overall number of personnel at December 31, 2000.

In the area of safety at work, the maximum rate was not suffered and thus premiums were paid to employees, but major accidents at two of our works had a negative effect on otherwise satisfactory results. The major emphasis of our safety at work program was training carried out at a number of factories to reduce the number of foot and leg injuries. Also work was successfully carried out on existing systems, such as quality management and safety at work, in order to achieve synergies in these areas.

Average employee numbers during the year

Segment		2000/01	1999/2000
Sugar/ Sweeteners	Südzucker AG	2,741	2,736
	Südzucker GmbH	525	538
	R.T. Group	1,938	1,837
	AGRANA Group	4,753	5,290
	Südzucker Poland/Moldova	2,884	2,720
	Total	12,841	13,121
Ice cream/ frozen food	Schöller Group	14,532	15,599
	Freiberger Group	1,023	839
	Mönnich	19	20
	Total	15,574	16,458
Total		28,415	29,579

Training is highly rated

The Südzucker Group requires highly-motivated and well-trained staff in order to achieve its ambitious objectives. Training and development, honed to meet

For example, at Südzucker AG and Südzucker GmbH health protection was integrated into the existing safety at work organisation.

Systematic internal knowledge transfer

Bundling existing knowledge within the Group and selecting the knowledge to be transferred carefully by target group is a significant basis for being able to make proper use of our valuable and expensive know-how for all members of the Group. With the help of electronic media, information networks are established within the Group which offer recipients selected information and sources of information for their use. It is thus possible to provide an overview of existing knowledge and current developments timely and comprehensively and hence satisfy the demand for information within an increasingly complex operational and external environment, whilst at the same time avoiding reinventing the wheel.

Interest in early retirement plan

In a number of group companies older employees have the opportunity of making the transition to retirement by choosing early retirement plans. This offer has led to great interest amongst a number of employees. At Südzucker alone the percentage of persons taking advantage of early retirement plans at the end of 2000/2001 amounted to 5 % of all full-time staff. Most employees prefer the so-called block model, whereby they work full-time in the first half of the early retirement phase and they do not work at all in the second half.

European works council reflects internationalisation

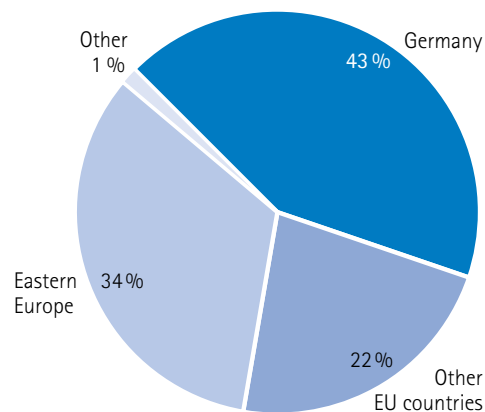
The European works council set up by the Südzucker Group is made up of representatives of companies from Germany, Austria, Belgium and The Netherlands. During the year this group met once and discussed many topics of a cross-border nature. The smooth working of the European works council is evidence that the Group's internationalisation and European-wide structure is also firmly embedded at works council level.

Employee shares in demand

At 1,961 (1,909) employees, 82 % (79 %) of those entitled have taken advantage of the possibility of acquiring employee shares at a beneficial price.

We should like to thank all our staff for their interest and hard work in a year which was marked by difficult conditions. We also extend our thanks to members of the works councils for their co-operation and fairness.

Employees of the Südzucker Group by region



Innovation everyone is
talking about

Isomalt from Palatanit





Isomalt is a sugar replacer for consumer-oriented products. New variants of it are being developed all the time – precisely tailored to the needs of the food industry. Like Isomalt GS last year – a product that is especially well-suited for sugarfree chewing gum pellets. Isomalt is also a promising vehicle for functional food products.



Capital expenditures

Capital expenditures for the Group on tangible and intangible non-current assets amounted to € 215 million (€ 233 million) in 2000/01.

Of these capital expenditures, € 133 million (€ 117 million) relate to the sugar/sweeteners segment. Capital expenditures at Südzucker AG and Südzucker GmbH were mainly made to reduce energy consumption and stabilise processing capacity. New centrifuges were installed at the Brottewitz, Wabern and Ochsenfurt works to lower the consumption of electrical energy and, at the same time, make a contribution to improving sugar quality control. A reduction in energy costs could also be achieved by expanding the pressed pellets plant at the Delitzsch, Zeitz and Ochsenfurt factories. At the Groß-Gerau works a newly-built pellets warehouse started operations in time for the 2000 campaign.

Capital expenditures at Raffinerie Tirlémontoise also related to energy savings and productivity improvements. Further capital expenditure areas involved safety improvement measures and the installation

of state-of-the-art information technology to improve productivity, product quality and customer service. In line with its dynamic growth, capital expenditures increased substantially in the Orafit division.

Capital expenditures at AGRANA related to the Austrian sugar factories, above all in the areas of process control systems, pellet presses, the sugar house and the environment.

Investments in the Polish and Moldovan sugar factories were made primarily to increase sugar productivity and energy savings.

Following the successful structural measures taken in previous years, overall capital expenditures declined to € 98 million (€ 121 million) in the ice cream/frozen food segment. The main areas of capital expenditures in tangible assets of € 82 million (€ 116 million) were the extension of marketing and production infrastructures, together with EDP and communication equipment.

*New centrifugal station,
Brottewitz works.*

*Pellets warehouse
at Groß-Gerau.*



Agricultural raw materials are the basis

A major part of work carried out in the research and development area is on new products for the food area and for industrial and technological application. The starting point is existing know-how on sucrose, starch and inulin, products recovered from agricultural raw materials available within the Group. These products also provide opportunities for long-term growth by optimisation of the crops and technologies used. A clear allocation of responsibilities for the individual product groups within the Group avoids double-counting and reduces development time. Südzucker AG specialises in sugar and sugar products, AGRANA concentrates on starch and starch-based products, and Raffinerie Tirllemontoise is responsible for inulin and inulin-based products. The ice cream/frozen food group segment relies for its research and development mainly on existing resources within the sugar/sweeteners segment.

New developments are tracked from the laboratory, to pilot testing and on through to the production process. A further task is continuous economic and ecological process optimisation in all areas of the Group's activities.

Overall, 200 employees work on research and development in the Südzucker Group and costs for the past year amounted to € 21.0 million (€ 21.3 million).

Co-operation with research institutions, universities and other companies supplements the company's own work in all areas.

Knowledge management system

The high level of expenditure in development of new products and optimisation of processes can only be deemed successful if they are also properly implemented. Knowledge management systems help cope

with the complexity of these tasks by providing integrated information. The successful integration of information systems for sugar production technology and process controls is an example. For instance, new process controls have been developed at the Regensburg works for the successive links in the overall crystallisation process in the sugar house. The result is a high level of consistency of materials and energyflow and a consistently high quality level of sugar produced. This system will be further optimised for the 2001 campaign in order to be transferred to other Südzucker works.

Works-specific management information systems

The management information systems used in a number of Südzucker factories for many years supply an integrated view of process conditions in the individual areas of each factory. This is based on data obtained from the process, in the laboratory and calculated, which the plant process operator can call-up in selected format. The success of this information system, which was introduced in 1999 and has already been further optimised, has meanwhile led Südzucker to equip all its factories with this technology.

Sugar-based items, specialities and special products

The main thrust of work in this area was the development of Isomalt GS, a sugar-free sweetener, work on an additive to the range of preserving sugars, and promising progress on sugar-based oxidation products.

With Isomalt GS, an alternative sweetener, last year it was possible to develop a very successful product for use in sugar-free chewing gum. In addition to having an appropriate production process, this success was based on concentrating on the application-oriented development of this special product, partly with customer input.

Oxidation products

In addition to the classical use of carbohydrates in the food area, glucose and sucrose are used as raw materials to produce two product groups with a world-wide production of more than one million tonnes.

One of these is a product group of sugar alcohols (polyol) whose best-known mass-produced products are sorbitol and maltitol syrup. Here Südzucker is successful with its speciality product Isomalt.

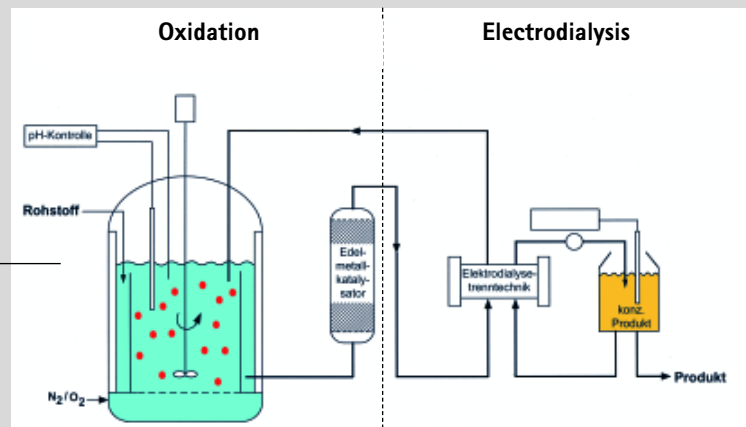
The other product group is organic acids. The best-known mass-produced products based on carbohydrates are citric acid and lactic acid produced using fermentation processes. The aim of the research and development work at Südzucker is to develop specialities which cannot be produced by fermentation, or only with great difficulty. Opportunities lie here in the development of new technologies which provide access to such acids. Examples of such products are lactobionic acid and maltobionic acid which can be produced from sucrose.

Such specialities can be used as supplements in food as well as in technical areas, particularly in metal processing, construction industry and complexing products.

Over the past few years and based on the well-known fact, that with the help of precious metal catalysts, carbohydrates could be oxidised, it has been possible to develop a process with the following elements:

- continuous oxidation of carbohydrates on fixed-bed catalyst and
- continuous removal of oxidation products through selective electro-dialysis from a mixture with a relatively high proportion of raw material and a relatively low end-product content.

This process was initially developed in the laboratory and has now been successfully transferred to the technical phase, so that detailed properties of the available products and hence their market opportunities can be carefully evaluated.





Oxidation equipment.

Product disbursement for electro-dialysis.



Oxygen mixing pipes.



Starch

Research work in the starch area is carried out by AGRANA within the Südzucker Group. After a potato-based starch pilot plant commenced operations in 1995, the Tulln sugar research facility started operating a pilot corn-based starch plant in 2000, and is thus one of the few companies in Europe with know-how of the production of potato-based and corn-based starch. These activities have led, amongst other things, to the development of products for the ceramics and construction industries. For example, in the past year a product line was developed and launched on the market for the manufacture of high-temperature resistant vacuum-form parts for fire-proof coatings using highly-purified cationic starch. In the construction industry, a completely new application was developed for starch. After many years of testing it was possible to develop a highly-modified starch which can be used for sprayed concrete, for instance when building tunnels. The successful launch of this high-tech product offering financial and ecological advantages within the shortest possible time to market shows how close to the market this innovation proved to be.

Research and development

Inulin

Research and development in the inulin area is carried out by Raffinerie Tirlemontoise Group. In addition to an improvement of the production process for inulin in the food sector two third-generation products were developed. Patents have been filed for both products.

RAFTILINE® HPX is a long-chain inulin which can be used as a fat replacer in heat-treated food. This opens applications where inulin needs to give gel strength after heat treatment, as in spreads and cheese, where the standard RAFTILINE® as in HP is not sufficiently effective. RAFTILOSE® Synergy1 has a unique combination of short-chain (oligo-fructose) and long-chain (inulin) molecules. A study showed an increase in calcium re-absorption of up to 20 %, to 8 g per day. Compared with results achieved using only oligo-fructose or inulin this is a much higher re-absorption level. Improved calcium re-absorption in the body could contribute considerably to reducing osteoporosis and bone fractures. A product characteristic which could provide a solution above all for problems faced by the ageing population. RAFTILOSE® Synergy1 can be used in many applications, such as dairy and bakery products, confectionery and drinks.

Risks from future developments

Südzucker has developed and introduced an integrated system to identify and monitor risks specific to the Group. The aim of the system is to identify and quantify in advance the risks arising from doing business. Hence, strategic and operational opportunities can be extensively analysed and, in many cases, optimised.

The executive board has set up a committee to install a strategically-directed risk monitoring system within the Südzucker Group, including a reporting system at company and Group level, and an operational controlling system at operating business unit level. The strategic investment controlling unit monitors the activities of Group companies by using uniform ratio analysis, controls and optimises the investment portfolio and helps with acquisitions.

The Group's internal audit department carries out its control duties independently from Group companies and strategic business areas and reports directly to the executive board. It checks and values the safety, efficiency and correctness of business processes and the effectiveness of the internal control system within the business environment.

Treasury and foreign exchange management is carried out with the help of detailed guidelines. Derivative financial instruments used to hedge foreign currency and interest-rate risks are recorded timely and completely at Group level and are subject to regular monthly valuation.

The future

Standards have been prepared for monitoring the risks arising from products manufactured and sold within the Südzucker Group, and these are checked by applying continuous controls. Such measures are taken mainly within the quality control program.

The integration of quality management, safety at work and environmental management provide optimal conditions for the timely identification of risks and taking steps to minimise risks.

The possible effects of international and national trade agreements and market regulations are analysed in advance and evaluated within the framework of the risk management system.

Based on the regular reports issued by the internal group-wide risk management group and on its own evaluation, the executive board has not determined any matters which could endanger continuation of the Group as a going concern.

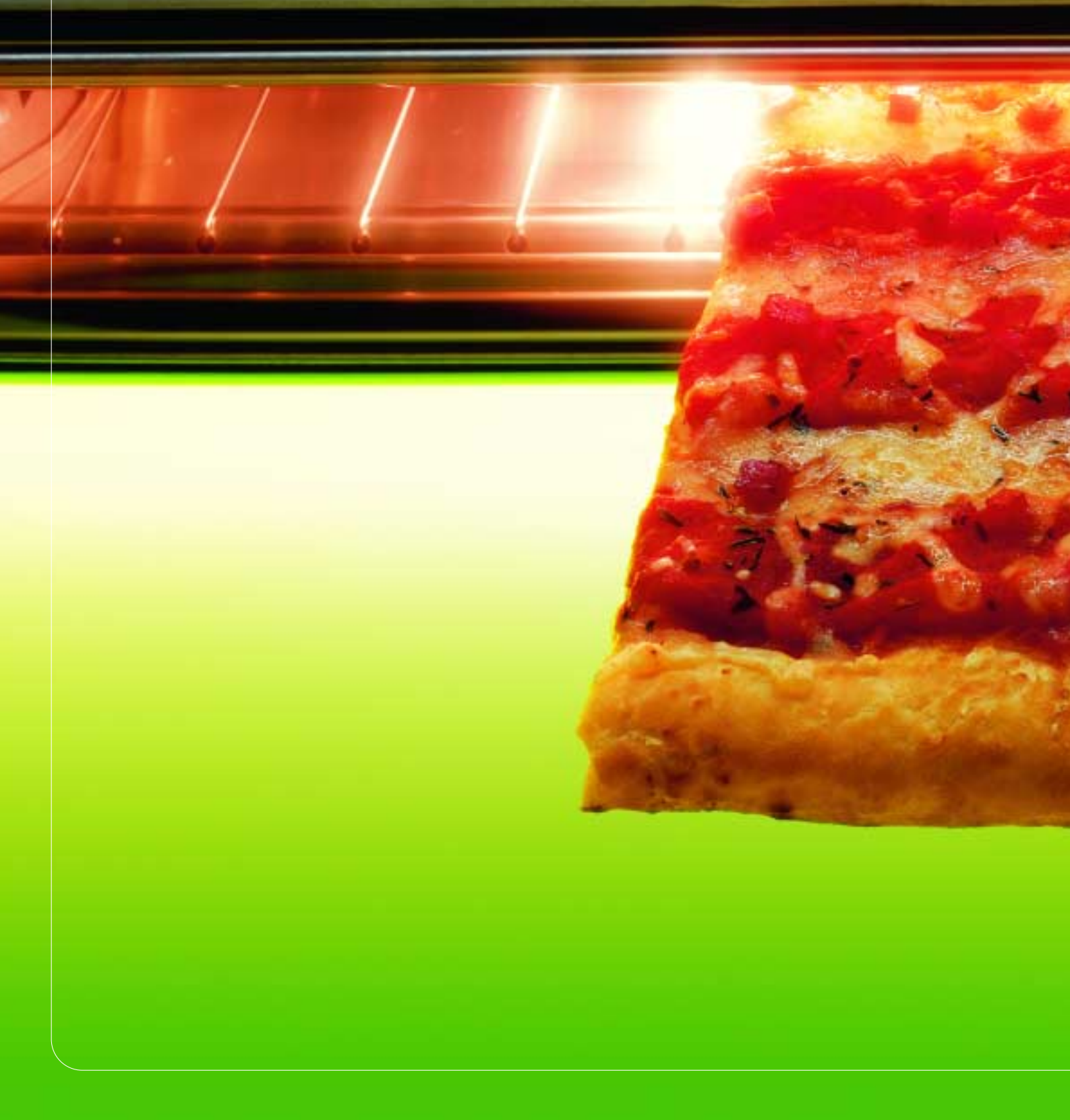
In the sugar/sweeteners segment we expect that we will again be able to exceed the good operating results of the previous year. This expectation is supported by stable developments on the world sugar market, further consolidation of our sugar activities in eastern Europe and strong growth in the Palatinit, Orafti and specialities divisions. Negative effects can arise from a sharp increase in energy costs.

In the ice cream/frozen food segment we believe that, following a difficult ice cream environment in early 2001, there will be a considerable improvement in operating results following the successful structural and rationalisation measures taken.

In the Südzucker Group we expect a further increase in operating profits in 2001/02 due to improvements in both segments. Despite a higher tax rate, earnings for the year after tax will be sharply higher due to lower restructuring expenses.

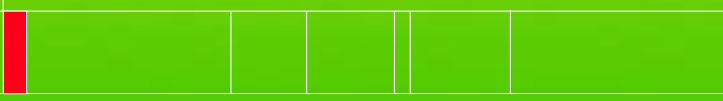
From -18°C to crispy
in 4 minutes

Toastinis from Freiburger





Snacks are growing more and more popular with consumers. Deep-frozen, they're always ready at hand, fast and easy to prepare — ideal for satisfying small hunger pangs between meals. Like Toastinis from Freiburger: it takes just four minutes to toast them to perfection.



Financial statements

Balance sheet

at February 28, 2001 (in € millions)

ASSETS

	Note	28.02.2001	29.02.2000
Intangible assets		347.1	360.0
Tangible assets		1 718.8	1 752.7
Financial assets		321.2	336.7
Non-current assets	1.1	2 387.1	2 449.4
Inventories	1.2	1 390.4	1 302.2
Receivables and other assets	1.3	571.2	539.0
Securities and cash	1.4	574.6	361.7
Current assets		2 536.2	2 202.9
Deferred tax assets		24.0	24.6
Total ASSETS		4 947.3	4 676.9

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	28.02.2001	29.02.2000
Subscribed capital of Südzucker AG		143.0	136.2
Capital reserves of Südzucker AG		588.7	527.4
Revenue reserves		706.3	629.9
		(1 438.0)	(1 290.5)
Minority interests		265.0	328.1
Shareholders' equity	1.5	1 703.0	1 618.6
Provision for pensions	1.6	358.3	348.4
Deferred tax liabilities		365.8	375.4
Other accrued liabilities		456.1	514.0
Total provisions and accruals	1.7	1 180.2	1 237.8
Financial liabilities	1.8	1 174.4	984.5
Other liabilities	1.8	889.7	836.0
Total LIABILITIES AND SHAREHOLDERS' EQUITY		4 947.3	4 676.9

Statement of income

for the period from March 1, 2000 through February 28, 2001 (in € millions)

	Note	01.03.2000 – 28.02.2001	01.03.1999 – 29.02.2000
Sales	2.1	4 664.0	4 516.6
Change in work in process and finished goods inventories and internal costs capitalized	2.2	92.1	(11.5)
Other operating income	2.3	207.8	236.3
Cost of materials	2.4	(2 592.6)	(2 351.3)
Personnel expenses	2.5	(728.0)	(719.7)
Depreciation (excluding goodwill)	2.6	(243.2)	(238.2)
Other operating expenses	2.7	(1 008.5)	(1 102.8)
Operating profit		391.6	329.4
Expenses relating to restructuring costs and other items	2.8	(42.8)	(15.6)
Amortisation of goodwill		(30.9)	(19.4)
Income from ordinary operating activities		317.9	294.4
Financial expense, net	2.9	(53.7)	(55.8)
Earnings before income taxes		264.2	238.5
Taxes on income	2.10	(54.9)	(64.9)
Net earnings for the year		209.3	173.7
Minority share of net earnings		21.4	25.9
Net earnings for the year after minority interests		187.9	147.8
Earnings per share	€/share	1.35	1.08

Financial statements

Statement of cash flows

March 1, 2000 through February 28, 2001 (in € millions)

	2000/01	1999/2000
Net earnings for the year	209.3	173.7
Depreciation of non-current assets	287.0	260.8
Write-ups of non-current assets	(0.8)	(14.9)
Increase in medium-term and long-term provisions and accruals	(12.8)	35.3
Other expenses not using cash	15.2	17.1
Gross cash flow from operating activities	497.9	472.0
Gains on disposals of items included in non-current assets	(7.1)	(3.6)
Decrease in short-term accruals	(48.7)	(53.3)
Increase in inventories, receivables and other assets	(156.6)	(21.1)
Increase (decrease) in liabilities (excluding financial liabilities)	54.9	(49.8)
Net cash flow from operating activities	340.4	344.1
Cash received on disposals of items included in non-current assets	36.4	37.6
Capital expenditures: Tangible and intangible non-current assets	(214.5)	(233.6)
Financial assets including acquisitions of consolidated subsidiaries	(37.0)	(86.9)
Cash included in acquisitions	3.5	8.0
Net cash flow from investing activities	(211.6)	(274.9)
Cash flow from operating activities and from investing activities	128.8	69.2
Capital increases	68.1	17.1
Dividends paid	(145.4)	(77.3)
Bonds issued	300.0	0.0
Increase in financial liabilities	(129.9)	27.4
Net cash flow from financing activities	92.8	(32.8)
Change in cash and cash equivalents	221.6	36.5
Treasury shares offset in shareholders' equity	(9.3)	0.0
Effect of exchange rate changes on cash and cash equivalents	0.6	(1.2)
Cash and cash equivalents at the beginning of the year	361.7	326.5
Cash and cash equivalents at the end of the year	574.6	361.7
of which: Cash	189.9	177.5
Other securities	384.7	184.2

Statement of movements in shareholders' equity
including minority interests (in € millions)

	Balance at 1.3.00	Net earnings for the year	Distrib- utions	Exchange rate changes	Capital increases/ reductions	Other changes	Balance at 28.2.01
Subscribed capital of Südzucker AG	136.2			6.8			143.0
Capital reserves of Südzucker AG	527.4			61.3			588.7
Revenue reserves	539.2	187.9	(118.7)			(36.1)	572.3
Revaluation reserve	114.2					40.6	154.8
Accumulated foreign currency translation differences	(26.5)				0.7	5.0	(20.8)
Minority interests	328.1	21.4	(26.7)		(1.4)	(56.4)	265.0
	1 618.6	209.3	(145.4)	68.1	(0.7)	(46.9)	1 703.0

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Statement of movements on non-current assets

(in € millions)

	Gross acquisition or production cost					Balance at 28.02.2001
	Balance at 01.03.2000	Change in companies incl. in the consolidation/ Currency translation/ Other changes	Additions	Transfers	Disposals	
Intangible assets						
Concessions, industrial and similar rights	126.0	0.0	11.2	0.0	9.8	127.4
Goodwill	328.7	21.5	0.0	0.0	0.0	404.2
On-account payments on intangible assets	0.1	0.0	0.0	0.0	0.0	0.1
Total intangible assets	508.8	21.5	11.2	0.0	9.8	531.7
Tangible assets						
Land, land rights and buildings including buildings on leased land	1 289.3	20.8	23.1	4.9	11.3	1 326.8
Technical equipment and machinery	2 911.2	13.7	98.7	28.1	64.2	2 987.5
Other equipment, factory and office equipment	442.8	1.2	52.5	0.0	33.1	463.4
On-account payments and assets under construction	34.6	(0.3)	29.0	(33.0)	1.0	29.3
Total tangible assets						
Financial assets						
Shares in affiliated companies	24.5	(4.0)	8.1	0.0	13.1	15.5
Loans to affiliated companies	0.0	2.5	0.1	0.0	0.0	2.6
Investments in associated companies	59.4	7.1	7.8	0.0	2.5	71.8
Other investments	273.8	(22.2)	0.1	0.0	6.3	245.4
Loans to participating interests	0.4	0.0	0.6	0.0	0.2	0.8
Securities in financial assets	25.1	4.0	1.2	0.0	0.2	30.1
Other loans	3.8	(0.8)	0.4	0.0	1.2	2.2
Total financial assets	387.0	(13.4)	18.3	0.0	23.5	368.4
Total non-current assets	5 573.7	43.5	232.8	0.0	142.9	5 707.1

		Depreciation				Net book value			
Balance at 01.03.2000	Change in companies incl. in the consolidation/ Currency translation/ Other changes	Depreciation for the year	Transfers	Disposals	Write-ups	Balance at 28.02.2001	Balance at 28.02.2001	Balance at 29.02.2000	
88.0	0.0	14.0	0.0	9.1	0.0	92.9	34.5	38.0	
60.8	0.0	30.9	0.0	0.0	0.0	91.7	312.5	321,9	
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	
148.8	0.0	44.9	0.0	9.1	0.0	184.6	347.1	360.0	
544.5	9.0	38.2	0.0	6.6	0.0	585.1	741.7	744,8	
2 092.7	8.9	146.0	0.9	57.9	0.0	2 190.9	796.9	818.5	
287.6	0.3	53.8	(0.9)	28.7	0.0	312.1	151.3	155.2	
0.4	0.0	0.0	0.0	0.0	0.0	0.4	28.9	34.2	
10.8	0.4	1.4	0.0	6.4	0.3	5.9	9.6	13.7	
0.0	1.4	0.7	0.0	0.0	0.0	2.1	0.5	0.0	
7.2	8.8	0.0	0.0	0.9	0.5	14.6	57.2	52.2	
29.2	(6.5)	1.9	0.0	1.5	0.0	23.1	222.3	244.6	
0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.6	0.2	
1.1	0.0	0.1	0.0	0.0	0.0	1.2	28.9	24.0	
1.7	(0.8)	0.0	0.0	0.8	0.0	0.1	2.1	2.1	
50.2	3.3	4.1	0.0	9.6	0.8	47.2	321.2	336.7	
3 124.2	21.5	287.0	0.0	111.9	0.8	3 320.0	2 387.1	2 449.4	

Notes to the consolidated financial statements

I. Principles of preparation

The consolidated financial statements for 2000/01 of Südzucker AG and its subsidiaries have been prepared in accordance with those standards issued by the International Accounting Standards Committee (IASC) effective as at February 28, 2001 and the Interpretations issued by the Standing Interpretation Committee (SIC). The conditions set out in § 292 a of the German Commercial Code for exemption from preparation of consolidated financial statements prepared in accordance with the Commercial Code have been met.

The significant differences between German accounting principles for consolidated financial statements and IAS are as follows:

- No recognition of internal expense provisions (maintenance provisions) as set out in IAS 37 (Provisions, contingent liabilities and contingent assets),
- Requirement to recognise unrealised foreign currency gains as set out in IAS 21 (The effects of changes in foreign exchange rates),
- Requirement to recognise deferred income taxes using the liability method as set out in IAS 12 (Income taxes),
- Requirement to recognise certain financial instruments at market values as set out in IAS 39 (Financial instruments: recognition and measurement).

The consolidated financial statements have been prepared in euros (€). The exchange rate of DM/€ 1.95583 officially fixed on January 1, 1999 has been used for converting DM into €.

The financial statements of all significant consolidated domestic and foreign subsidiaries, or those subject to statutory audit in accordance with local laws, have been audited by independent auditors, who have issued unqualified audit opinions on those financial statements. Independent auditors have also confirmed the correctness of the adjustments from financial statements prepared in accordance with local accounting standards to IAS financial statements prepared in accordance with group guidelines.

As recommended by the IASC, IAS 39 (financial instruments: recognition and measurement) has been applied early in preparing these consolidated financial statements.

II. Consolidation principles

1. Companies included in consolidation

Investment activities were further expanded in 2000/01.

With the formation of Südzuckergroup Export Centre S.A. (SEC), Brussels, Südzucker Group's export activities were concentrated and Südzucker's significant position on the global sugar market as an exporter was considerably improved.

This move will enable the Group to greatly increase its strength and flexibility in the export area. Sales volumes of 900,000 tonnes of sugar will be processed via SEC in the current year.

Südzucker AG's sugar activities in Poland were strengthened by the acquisition of 81.2 % of the shares in the Strzyżów sugar factory effective October 1, 2000. The financial statements for 2000 of the Garbów sugar factory, which was acquired in October 1, 1999, and Cukrier Królewski, a marketing and trading company formed on August 9, 1999, were included for the first time in the consolidated financial statements for 2000/01. Südzucker Group's sugar production volume in Poland, incorporating the fully consolidated Lubna, Garbów and Strzyżów sugar factories as well as the Ropczyce and Wlostów sugar factories included as associated companies at equity, amounts to 127,000 tonnes.

AGRANA Group increased its investment in Gemercukor a.s., Rimavská Sobota, Slovakia, and its previously proportionately consolidated holding in Cukrovar Nova a.s., Sered, Slovakia, to 100 %.

Operating activities of the frozen food division were broadened by the acquisition of 100 % of the shares in PrimAS, the Austrian pizza company (sales of € 30 million), at the end of 1999/2000. Freiberger Group thus further extended its market position in the EU and now has production sites in Berlin, Muggensturm, Baden and Oberhofen, Austria. PrimAS was included in the 2000/01 consolidated financial statements for the first time.

In line with our goal of exiting non-strategic business segments, the sale of Lady Cake operations terminated activities in the long-life bakeries/ready-made cakes division.

In addition to Südzucker AG, all domestic and foreign subsidiaries in which Südzucker AG has direct or indirect financial control and which are not immaterial are *fully consolidated* in the consolidated financial statements. 184 (184) companies were included in the consolidated financial statements for the year ended February 28, 2001. 15 companies have been included in the consolidated financial statements for the first time. 15 companies were deconsolidated in 2000/01, in particular due to mergers in Belgium, Hungary, The Czech Republic and Slovakia. The effects on the consolidated financial statements of the changes in companies included are as follows:

	2000/01
	€ million
Non-current assets	19.9
Current assets	11.4
Total assets	31.3
Shareholders' equity	14.7
Provisions and liabilities	16.6
Total liabilities and shareholders' equity	31.3
Sales	74.6
Net earnings	3.5

Proportionate consolidation was used to include HUNGRANA Kft., Szabadegyhaza, Hungary (in which AGRANA Zucker und Stärke AG, Vienna has a 50 % holding), AIH Agrar-Industrie-Holding GmbH, Mannheim (in which Südzucker AG Mannheim/Ochsenfurt has a 50 % holding) and AW-Beteiligungs GmbH, Ochsenfurt (in which AIH has a 75.76 % holding). Südzucker AG indirectly holds shares in Fresenius AG and VK Mühlen AG via AIH and AW respectively.

The consolidated financial statements include non-current assets of € 209.8 million, current assets of € 14.8 million, shareholders' equity of € 210.6 million and provisions and liabilities of € 14.0 million from the proportionate consolidation. The statement of income includes sales of € 43.8 million and profits for the year of € 12.2 million from the proportionately consolidated companies.

The *equity method* was used for 1 (1) domestic associated company and 3 (3) foreign associated companies. Due to their overall insignificance, 17 subsidiaries were not included "at equity" and were recognised in the consolidated financial statements at cost.

2. Consolidation methods

The equity consolidation has been made using the purchase method, whereby acquisition cost is set off against the relevant share of the subsidiary company's equity at the time of acquisition. Any difference has been allocated to assets insofar as their market values differed from book values at that time. Any remaining difference (goodwill) is initially included in intangible assets and is amortised straight-line over their probable useful lives of 20 years as set out in IAS 22 (Business combinations). Investments in associated companies are included in the consolidated financial statements using the equity method (purchase method) as from their date of acquisition or initial consolidation.

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

In accordance with IAS 27 (Consolidated financial statements and accounting for investments in subsidiaries) pro-forma financial statements as at 28.2.2001 are not prepared for those consolidated subsidiaries having a business year (such as 31.12.2000) ending on a date different from that of Südzucker AG (28.2.2001), provided the business year ends within three months of that of Südzucker AG.

III. Foreign currency translation

As set out in IAS 21 (The effects of changes in foreign exchange rates), the financial statements of group companies are translated directly from local currency into the reporting currency (€), as the foreign entities carry out their financial, operating and organisational activities autonomously (the functional currency is the local currency). Hence, non-current assets, current assets and liabilities are translated using mid-market rates ruling at the end of the year (year-end rates). Income and expense items are translated at average rates for the year.

The financial statements of subsidiaries located in hyperinflationary economies are translated as set out in IAS 29 (Financial reporting in hyperinflationary economies) by adjusting for the effects of inflation based on changes in purchasing power.

Movements in exchange rates of the significant currencies used in preparing the consolidated financial statements were as follows:

Country		Year-end rate		Average rate	
		28.02.2001	29.02.2000	2000/01	1999/2000
		DM			
Belgium	BEF 100	4.8484	4.8484	4.8484	4.8484
France	FRF 100	29.8160	29.8160	29.8160	29.8160
Great Britain	GBP 1	3.0636	3.1959	3.0801	3.0276
The Netherlands	NLG 100	88.7548	88.7548	88.7548	88.7548
Austria	ATS 100	14.2136	14.2136	14.2136	14.2136
Poland	PLN 100	51.9726	48.6736	51.1462	46.4253
Romania	ROL 1000	0.0782	0.1067	0.0793	0.1144
The Czech Republic	CZK 100	5.6460	5.4941	5.6037	5.3271
Hungary	HUF 100	0.7345	0.7620	0.7368	0.7720
USA	USD 1	2.1160	2.0084	2.1011	1.8748

Differences arising from translating assets and liabilities at year-end rates compared with rates ruling at the end of the previous year, together with translation differences between earnings for the year translated at average rates in the income statement and at year-end rates in the balance sheet, are charged or credited directly to reserves. The effect in 2000/01 was to increase non-current assets by € 0.9 million and to reduce shareholders' equity by € 0.7 million.

Foreign currency receivables and liabilities included in the financial statements of consolidated companies have been translated at year-end rates.

IV. Accounting policies

Acquired goodwill is recognised and amortised straight line. As set out in IAS 22 (Business combinations), a useful life of 20 years has been assumed for the amortisation of goodwill. Other acquired intangible assets are included at acquisition cost less scheduled, straight-line amortisation over their expected useful lives.

Tangible non-current assets are stated at acquisition or production cost less straight-line scheduled and unscheduled depreciation. Production cost of internally-constructed equipment includes the cost of production materials, production wages and an appropriate share of overheads. Maintenance expenses are recorded in the income statement when they are incurred.

Scheduled depreciation of non-current assets and of intangible assets, apart from goodwill, is charged based on the following useful lives:

Intangible assets excluding goodwill	2 to 5 years
Buildings	15 to 50 years
Technical equipment and machinery	6 to 30 years
Other equipment, factory and office equipment	3 to 15 years

Impairment write-downs are charged when the value in use of an asset falls below its book value. The value in use is determined as the higher of the asset's net realisable value or the present value of expected cash flows from use of the asset.

Shares in non-consolidated affiliated companies are included at acquisition cost. Shares in associated companies, unless insignificant, are included using the equity method.

Securities and investments are measured at fair values, if available, in accordance with IAS 39 (Financial instruments: recognition and measurement). Unrealised gains and losses arising from measuring securities acquired for the purpose of short-term profit-taking (trading securities) at their fair values are recognised in the income statement. Unrealised gains and losses on all other securities measured at fair values (available for sale securities) are charged or credited direct to revaluation reserve in shareholders' equity, net of deferred tax. Other securities are stated at their acquisition cost.

Loans are stated at their nominal value.

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method. As set out in IAS 2 (Inventories), the production cost of work in process and finished goods includes direct costs and a reasonable proportion of material and production overheads, including depreciation of production machinery assuming normal levels of production capacity, and a proportion of administrative expenses. Write-downs are made to net realisable value where necessary. Specific write-downs are charged against slow-moving items and against items for which net realisable value is lower than cost.

Receivables in current assets are stated at nominal values, less adequate allowances for bad debts and other risks in receivables.

Write-ups of items included in non-current assets and current assets are made when the indication for charging the original impairment loss no longer exists.

Provisions for pensions are included as set out in IAS 19 (Employee benefits). Actuarial reports have been prepared for this purpose.

Other accrued provisions and liabilities are included at permitted amounts and cover all those discernible risks and contingent obligations whose incidence is deemed probable.

Deferred taxes are recognised on temporary differences between the values of assets and liabilities in the IAS balance sheet and the tax balance sheet, as well as on tax loss carry forwards. Deferred taxes assets and deferred tax liabilities are recognised 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. With the exception of goodwill arising on consolidation, deferred taxes are recognised on all temporary differences between the IAS balance sheet and the tax balance sheet, regardless of whether the differences are expected to reverse within the foreseeable future.

All liabilities are stated at the amounts due for payment.

We refer to notes 1.9 and 1.10 for details of the recognition and measurement of financial instruments.

Appropriate provisions have been set up for risks arising from contingent liabilities.

Lease agreements within the Südzucker Group are all deemed to be operating leases, so lease payments are expensed when incurred. Südzucker Group is not a lessor in any lease contracts.

Expenses for research and development costs are expensed immediately when they are incurred and are not recognised in the balance sheet.

V. Notes to the financial statements

1. Notes to the balance sheet

1.1 Non-current assets

Additions to intangible and tangible non-current assets amounted to € 214.5 million in the Group (excluding additions arising as a result of new companies included on consolidation). Goodwill and assets stated at fair value as a result of using the purchase method for the acquisition of companies are shown in the column headed "change in companies included in consolidation" in the statement of movements on non-current assets.

Individual captions making up tangible and intangible non-current assets are detailed in the statement of movements on non-current assets.

Intangible assets

Intangible assets include in particular goodwill arising on first-time consolidation, recognised as set out in IAS 22 (Business combinations). This item also includes acquired EDP software and industrial and similar rights.

Additions to goodwill relate primarily to the first-time consolidation of Polish companies acquired by Südzucker AG and companies included in the AGRANA and Freiburger Group. Amortisation of goodwill includes impairment write-downs of € 11.1 million.

Tangible non-current assets

Additions (capital expenditures) to tangible assets (including intangible assets) are as follows:

	2000/01	1999/2000
	€ million	
Segment		
Sugar/sweeteners	132.9	117.1
Ice cream/frozen food	81.6	116.4
Total	214.5	233.5

Depreciation for the year includes unscheduled depreciation of € 13.3 million, of which € 9.8 million relates to the sugar/sweeteners segment and € 3.5 million to the ice cream/frozen food segment.

Financial assets

Cash outflows for expenditures on financial assets amounted to € 37.0 million. They relate mainly to the acquisition of the Austrian PrimAS Tiefkühlproduktion GmbH and the Polish Cukrownia Strzyżów S.A., as well as an increase in shares in Cukrovar Nova a.s., Sered and Gemercukor a.s., Rimavská Sobota, both Slovakia.

Shares in affiliated companies of € 9.6 million (€ 13.7 million) shown in the balance sheet include the book values of those companies which have not been consolidated due to their insignificant size. The decrease was primarily due to additions of eastern European sugar companies in 1999/00, which were consolidated for the first time in 2000/01.

Additions of € 7.8 million and disposals of € 1.6 million to investments in associated companies include changes arising from using the equity method.

A list of shares held by Südzucker AG has been filed with the commercial register of the district court of Mannheim under number HR 0042.

1.2 Inventories

February 28/29	2001	2000
	€ million	
Raw materials and supplies	92.8	95.7
Work in process	212.2	204.4
Finished goods and merchandise	1 084.8	1 001.4
On-account payments	0.6	0.7
	1 390.4	1 302.2

The book value of inventories measured at net realisable value is € 104.9 million (€ 74.1 million).

1.3 Receivables and other assets

February 28/29	2001	2000
	€ million	
Trade receivables	338.8	319.6
[of which with a remaining term of more than one year]	[1.3]	[0.9]
Receivables from affiliated companies	20.8	10.3
Receivables from participating interests	6.4	3.8
Other assets	205.2	205.3
[of which with a remaining term of more than one year]	[24.5]	[14.4]
	571.2	539.0

Receivables from affiliated companies arise solely from current account transactions with unconsolidated subsidiaries.

Other assets include receivables for sugar warehousing credits, short- and medium-term loans, receivables from public institutions and other receivables.

1.4 Securities and cash

February 28/29	2001	2000
	€ million	
Treasury shares	0.0	9.0
Other securities	384.7	175.2
	384.7	184.2
Cash	189.9	177.5
	574.6	361.7

The treasury shares included in the previous year's balance consisted of 1,189,448 shares = 0.87 % in Südzucker AG, Mannheim/Ochsenfurt held by AGRANA Beteiligungs-AG, Vienna. During 2000/01 AGRANA Beteiligungs-AG took up its pre-emptive rights to the 20:1 capital increase. Hence, it now holds 1,248,920 shares. As required by SIC 16 (Share capital – reacquired own equity instruments [treasury shares]), these treasury shares were offset in shareholders' equity in 2000/01.

1.5 Shareholders' equity

The subscribed capital of Südzucker AG increased as a result of a resolution approved by the annual general meeting held on August 24, 2000 to increase the share capital (distribution and reinvestment) by € 6.8 million, from € 136.2 million to € 143.0 million. The number of shares rose as a result of this increase (pre-emptive rights of 1 new share for every 20 existing shares) as follows:

No. of shares	28.02.2001	Capital increase	29.02.2000
Ordinary shares	111 880 860	5 327 660	106 553 200
Non-voting preference shares	31 127 460	1 482 260	29 645 200
	143 008 320	6 809 920	136 198 400

The shares are bearer shares with no par value. One share is equivalent to an imputed share of € 1.00 in the subscribed capital of Südzucker AG.

The executive board is entitled, with the approval of the supervisory board, to increase the share capital (authorised capital) of the company by up to a nominal DM 2,239,458.00 up to July 31, 2002 in one or more tranches, through the issue of new bearer shares of no par value for cash or contributions-in-kind. No advantage was taken of this entitlement in 2000/2001.

The subscribed capital and capital reserves shown in the consolidated balance sheet are those of Südzucker AG.

Following a resolution passed at the annual general meeting on August 31, 1999, the executive board was entitled up to February 28, 2001 to acquire shares of the company totalling up to 10 % of the share capital of the company as at that date (acquisition of treasury shares). No advantage was taken of this entitlement in 2000/01.

1.6 Provision for pensions and similar obligations

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

The provisions for pensions have been calculated actuarially using the entry-age-normal method and using estimated future trends in accordance with IAS 19 (Employee benefits).

A uniform 6 % discount rate was used for determining the present values of the obligations.

For domestic companies an expected annual increase of 2.5 % in remuneration and an increase of 1.5 % in pensions has been assumed. Appropriate adjustments have been made to these assumptions for foreign plans.

Pension expense is made up as follows:

	2000/01	1999/2000
	€ million	
Current service cost	9.0	5.6
Interest cost	18.9	17.3
	27.9	22.9

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

Interest cost has been included in interest expense in the statement of income. Service cost is included under personnel expense.

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

February 28/29	2001	2000
	€ million	
Defined benefit obligation for direct pension benefits	358.3	348.6
Unamortized actuarial gains and losses	0.0	(0.2)
Provisions for pensions and similar obligations	358.3	348.4

Movements in the provision for direct obligations were as follows:

	2000/01	1999/2000
	€ million	
Provision at March 1	348.4	345.4
+ Change in companies included in consolidation	0.6	0.0
+ Amounts charged to income	27.9	23.0
– Pension payments during the period	18.6	20.0
Provision at February 28/29	358.3	348.4

There are similar obligations, particularly with foreign group companies. They are calculated actuarially, including estimates of future cost trends.

1.7 Movements in provisions and accrued liabilities

€ million	01.03.00	Change in com- panies included in consolidation	Addition	Use	Release	28.02.2001
Provisions for pensions and similar obligations	348.4	0.7	27.9	18.6	0.1	358.3
Deferred tax liabilities	375.4	(0.2)	16.4		25.8	365.8
Other provisions and accrued liabilities						
Current tax liabilities	86.6	1.3	33.2	48.7	3.2	69.2
EU levies to finance the sugar market regulations	189.8		129.8	185.2	6.3	128.1
Personnel expenses	100.1	0.4	86.4	64.7	5.1	117.1
Other uncertain liabilities	137.5	1.0	73.1	54.8	15.1	141.7
Total other provisions and accrued liabilities	514.0	2.7	322.5	353.4	29.7	456.1
Total provisions and accrued liabilities	1 237.8	3.2	366.8	372.0	55.6	1 180.2

€ 162.8 million (€ 175.6 million) of the other provisions and accrued liabilities are long term.

The liabilities for taxes relate to the current year and those years not yet audited by the tax authorities.

Provisions for other uncertain liabilities include re-cultivation obligations of the sugar companies and rights of return obligations to retailers.

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1.8 Due dates of financial liabilities and other liabilities

	Feb. 28, 2001	of which remaining term			Feb. 29, 2000	of which remaining term		
		up to 1 year	1 to 5 years	over 5 years		up to 1 year	1 to 5 years	over 5 years
€ million								
Bonds	383.8	74.8	0.1	308.9	8.7	1.8	0.1	6.8
- of which convertible	[9.0]	[0.0]	[0.1]	[8.9]	[8.7]	[1.8]	[0.1]	[6.8]
Liabilities to banks	790.6	419.8	316.2	54.6	975.8	395.1	361.5	219.2
Financial liabilities	1 174.4	494.6	316.3	363.5	984.5	396.9	361.6	226.0
On-account payments received on orders	7.5	7.4	0.1	0.0	6.2	6.2	0.0	0.0
Trade accounts payable	656.8	656.2	0.4	0.2	642.0	641.5	0.4	0.1
Accounts payable to affiliated companies	8.2	7.9	0.3	0.0	9.5	9.4	0.1	0.0
Accounts payable to participating interests	16.3	16.3	0.0	0.0	16.0	16.0	0.0	0.0
Other liabilities	200.9	170.6	13.0	17.3	162.3	147.6	11.6	3.1
- of which for taxes	[24.0]	[22.3]	[1.5]	[0.2]	[27.1]	[26.0]	[0.9]	[0.2]
- of which for social security	[30.7]	[23.6]	[6.5]	[0.6]	[32.3]	[25.8]	[6.2]	[0.3]
Other liabilities	889.7	858.4	13.8	17.5	836.0	820.7	12.1	3.2

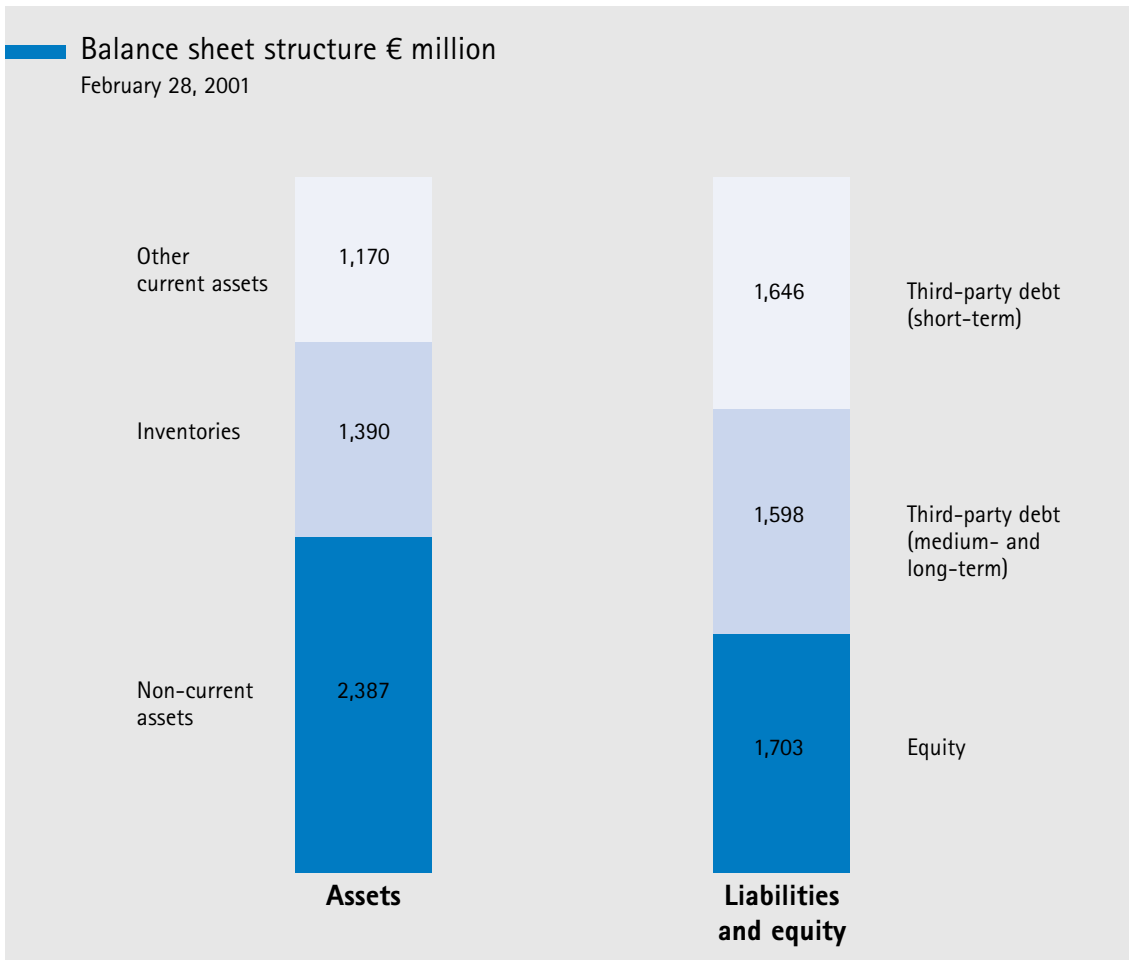
Further disclosures on financial liabilities are included in note 1.9 on financial instruments.

The following collateral was provided on February 28, 2001:

	Secured by mortgage rights	Secured by other pledged assets
	€ million	
Liabilities to banks	73.2	126.3

Trade accounts payable include obligations to beet farmers of € 467.1 million (€ 423.3 million).

Other liabilities mainly include tax liabilities, amounts due to pension funds and liabilities arising from calculating wages and salaries.



1.9 Lending and borrowing activities (financial instruments)

Südzucker Group's treasury management controls seasonal fluctuations in liquidity on a daily basis by placing funds through normal market channels (overnight money, term deposits and securities) and raising funds by drawing down overnight and short-term funds, fixed-interest rate loans or issuing commercial paper (CP). The CP program has a volume of € 500 million and enables Südzucker AG, either directly or for its own account via Südzucker International Finance B.V., a Dutch financing company, to issue short-term bonds and debentures as the need arises and when market conditions are suitable. In June 2000 Südzucker International Finance B.V. issued a ten-year € 300 million bond with a coupon of 6.25 % and guaranteed by Südzucker AG to underpin the Group's long-term growth opportunities.

Financial instruments are normally subject to interest rate change risks, foreign currency risks and credit risks, as follows:

Interest rate change risk:

For fixed-interest rate deposits or loans there is a risk that a change in market interest rates will lead to a change in market price (interest-related fair value risk).

On the other hand, variable-interest rate deposits or loans are not subject to price risk, as the interest rate is adjusted timely to market interest rates. However, due to fluctuations in short-term interest rates there is a risk relating to future interest payments (interest-related cash flow risk).

Currency risk:

Foreign currency risk is the risk of changes in fair values of balance sheet items induced by changes in exchange rates.

Credit risk:

Credit risk is the risk that a counterparty will be unable to pay. Credit risks arising from deposits, securities and receivables from derivative hedge transactions are minimised by only doing business with counterparties with first-class creditworthiness.

Financial liabilities

	Terms	Interest rates	Average rates	Market value	Nominal value
				€ million	€ million
Loans	to 9 years	5.21 % – 6.25 %	6.20 %	308.9	308.9
Commercial paper	to 1 year	4.89 %	4.89 %	74.9	74.9
Liabilities to banks	to 1 year	1.5 % – 58 %	6.35 %	790.6	790.6
Total financial liabilities			6.22 %	1 174.4	1 174.4

Securities are stated at fair value in accordance with IAS 39 (Financial instruments: recognition and measurement), fair value being the stock exchange market value at the end of the year. The book value of cash is the same as market value. Other securities include trading securities with unrecognised gains of € 1.4 million.

The commercial paper is included at book value, whereas the fair value of the bonds is calculated as the present value of expected future cash flows. Liabilities are stated at their repayment amount. For liabilities in foreign currency, nominal values are translated into the reporting currency at rates ruling at the end of the year, which can lead to a positive or negative fair value difference, depending on the relating foreign currency movement.

1.10 Hedge transactions (derivative financial instruments)

Südzucker Group uses derivative financial instruments to a limited extent to hedge part of the risks arising from its operating activities. The Südzucker Group mainly hedges the following risks:

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

Foreign currency change risk, which can primarily arise from sales of sugar on the world market in US dollars.

Product price change risk, which can arise from price fluctuations on the global sugar market as well as in the energy sector.

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

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

€ million	Nominal volume		Market values		Credit risk	
	2000/01	1999/2000	2000/01	1999/2000	2000/01	1999/2000
Interest swaps	201.3	199.9	(1.7)	(1.9)	0.6	3.0
Interest futures	50.0	0.0	0.0	0.0	0.0	0.0
Interest caps	260.2	238.0	1.4	5.1	1.4	5.1
Currency hedges	126.2	74.6	4.4	(3.6)	4.4	0.0
Product price hedges	31.7	16.9	2.5	0.6	2.5	0.6
Total	669.4	529.4	6.6	0.2	8.9	8.7

Maturities of the currency hedges and product price hedges are less than one year. Of the interest caps, a nominal volume of € 125 million expires within one year, € 347 million mature between one and five years, and the remaining € 40 million mature in more than five years.

The so-called nominal volumes of a derivative hedge instrument are the imputed call amounts upon which the payments are calculated. The hedged transaction and risk is not the nominal value itself, but rather only the price changes (i.e. interest rate changes) applied to the nominal value.

Market values are determined on the basis of quoted market prices at the balance sheet date without offsetting any counter-movements in value of the underlying transaction. As the hedge transactions are only made using normal marketable financial instruments, fair value is the same as market value. The market values included in the balance sheet are equivalent to the amounts which the Südzucker Group would have had to pay or would have received if the hedge transactions had been unwound at the balance sheet date.

The credit risk that a counterparty would be unable to settle a fair value transaction with Südzucker is minimised by only entering into financial derivative transactions with banks which have first-class credit ratings and by avoiding concentrations of credit risk. Credit risk is the total of all positive fair values of hedge transactions.

Derivative transactions within the Südzucker Group are made to hedge future cash flows (cash flow hedges), and changes in their fair value are charged or credited direct to a revaluation reserve as part of shareholders' equity in the financial statements.

Changes in fair values of derivative financial instruments included in the revaluation reserve are reclassified to the income statement at the time the underlying transactions are realised.

1.11 Contingent liabilities and other financial commitments

February 28/29	2001	2000
	€ million	
Discounted bills	0.2	0.2
Guarantees and letters of comfort	12.5	7.7
Warranty commitments	3.8	4.1
Lease payments up to one year	7.3	5.1
Lease payments of 1 to 5 years	9.0	8.2
Lease payments over 5 years	0.5	0.0
Purchase order commitments for non-current assets	140.3	143.3

2. Notes to the statement of income

2.1 Sales

Details of the sales of € 4,664.0 million (€ 4,516.6 million) are set out under VII. segment reporting.

2.2 Changes in work in process and finished goods inventories and internal costs capitalised

	2000/01	1999/2000
	€ million	
Change in work in process and finished good inventories	88.6	(15.1)
Internal costs capitalised	3.5	3.6
	92.1	(11.5)

2.3 Other operating income

	2000/01	1999/2000
	€ million	
Gains on disposals of non-current assets and current assets and income from write-ups	15.3	24.6
Income from warehousing cost subsidies	47.8	50.8
Foreign exchange and currency translation gains	14.3	13.1
Other income	130.4	147.8
	207.8	236.3

Other operating income includes particularly income from the release of accruals, from costs recharged, rental and lease income, and royalty income.

2.4 Cost of materials

	2000/01	1999/2000
	€ million	
Cost of raw materials, consumables and supplies and of purchased merchandise	2 468.1	2 238.1
Cost of purchased services	124.5	113.2
	2 592.6	2 351.3

2.5 Personnel expenses

	2000/01	1999/2000
	€ million	
Wages and salaries	576.1	566.3
Social security, pension and welfare expenses [of which for pensions]	151.9 [13.2]	153.4 [16.5]
	728.0	719.7

Average number of employees during the year

	2000/01	1999/2000
Divided by group		
Wage earners	14 291	15 738
Salaried staff	13 612	13 303
Trainees	512	538
	28 415	25 579
Divided by geographic area		
Germany	12 147	11 956
Other EU countries	6 385	7 325
Eastern Europe	9 500	9 911
Other countries	383	387
	28 415	29 579

2.6 Depreciation

	2000/01	1999/2000
	€ million	
Scheduled depreciation		
Intangible assets (excluding goodwill)	14.0	13.7
Tangible assets	224.8	219.7
	238.8	233.4
Unscheduled depreciation		
Tangible assets	4.4	4.8
	243.2	238.2

Additional impairment write-downs of € 8.8 million are included in expenses relating to restructuring costs and other items.

Amortisation of goodwill is shown as a separate line item in the statement of income and includes € 11.1 million impairment write-downs.

2.7 Other operating expenses

	2000/01	1999/2000
	€ million	
Production and supplementary levies	111.1	189.5
Warehouse cost levy	45.1	51.4
Losses on disposals of non-current assets and current assets	8.8	12.7
Foreign currency and translation losses	15.2	9.7
Rental and leasing expense	65.8	72.1
Other expenses	762.5	767.4
	1 008.5	1 102.8

Other expenses are made up primarily of selling and administration costs.

2.8 Effect on income of restructuring costs and other exceptional items

Restructuring costs were incurred particularly in connection with reducing sugar refining capacity and further rationalisation and cost reduction programs carried out within the Schöller Group.

2.9 Financial expense, net

	2000/01	1999/2000
	€ million	
Income from other securities and loans included in financial assets [of which from affiliated companies]	15.7 [0.4]	3.8 [0.4]
Other interest and similar income [of which from affiliated companies]	20.8 [(2.3)]	12.9 [(0.6)]
Interest and similar expenses [of which to affiliated companies] [of which interest expense in calculating pension accruals]	(98.7) [(6.2)] [(18.9)]	(81.6) [(1.3)] [(17.3)]
Interest expense, net	(62.2)	(64.9)
Income from investments [of which from affiliated companies] [of which from associated companies]	14.3 [2.4] [8.5]	9.7 [2.0] [1.6]
Income from investments	14.3	9.7
Other financial income and expense, net	(5.8)	(0.6)
Financial expense, net	(53.7)	(55.8)

Other financial income and expenses include foreign currency gains and losses arising on financial assets and liabilities, gains and losses on disposals of financial assets, and write-ups and impairment write-downs of financial assets.

2.10 Taxes on income

Current and deferred tax expense are for domestic and foreign taxes on income and are made up as follows:

	2000/01	1999/2000
	€ million	
Current taxes	70.3	70.8
Domestic	29.4	39.4
Foreign	40.9	31.4
Deferred taxes	(15.4)	(5.9)
Domestic	(30.0)	(9.6)
Foreign	14.6	3.7
	54.9	64.9

Deferred taxes are calculated on temporary differences between items in the Group balance sheet and the balance of the same items in the local tax balance sheet, as well as deferred tax assets of € 16.9 million (€ 11.9 million) on tax loss carry forwards. Deferred taxes are calculated using national tax rates, assuming full distribution of profits.

A reconciliation of deferred taxes in the balance sheet and deferred taxes in the income statement is as follows:

	2000/01
	€ million
Change in deferred tax assets in the balance sheet	0.6
Change in deferred tax liabilities in the balance sheet	(9.6)
Change in deferred taxes charged or credited direct to equity	(6.4)
Deferred taxes per statement of income	(15.4)

Reconciliation of earnings before income taxes to income tax expense:

	2000/01	1999/2000
	€ million	
Earnings before taxes on income	264.2	238.5
Theoretical tax rate	51.2 %	51.2 %
Theoretical tax expense	135.3	122.2
Change in theoretical tax expense as a result of:		
Reduction in tax expense due to distributions made by Südzucker AG	(29.8)	(25.7)
Reduction in tax expense due to lower local tax rate	(25.5)	(19.1)
Tax reduction for tax-free income	(11.6)	(10.8)
Tax increase for non-deductible expenses	18.9	11.6
Change in tax rate	(24.4)	(0.0)
Other	(8.0)	(13.3)
Taxes on income	54.9	64.9
Effective tax rate	20.8 %	27.2 %

The theoretical income tax rate of 51.2 % is made up of German corporation tax charged on retained earnings of 40 %, plus a solidarity surcharge on 5.5 % on the corporation tax charge, and municipal trade tax on income.

Following the German tax reform, deferred taxes are calculated at 38 % (corporation tax 25 %, municipal trade tax on income, solidarity surcharge). This has resulted in a reduction in tax expense for the year.

2.11 Research and development expenses

Research and development expenses amounted to € 21.0 million (€ 21.3 million).

VI. Statement of cash flows

The statement of cash flows, 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 flows from operating activities increased to € 497.9 million (€ 472.0 million) and represents 10.7 % (10.5 %) of revenues. Due to plant closures and impairment write-downs of goodwill, depreciation was 10.1 % higher than for the previous year, at € 287.0 million (€ 260.8 million). Cash outflows for tax payments totalled € 67.8 million and interest payments were € 98.7 million. Dividends received from associated companies included at equity and from other investments amounted to € 6.9 million. After considering changes in inventories, receivables, liabilities, provisions and accruals (excluding financial debt), cash flows from operating activities for the Group amounted to € 340.4 million (€ 344.1 million).

A total of € 211.6 million (€ 274.9 million) was required to finance capital expenditures on non-current assets, made up of € 214.5 million (€ 233.6 million) for additions to tangible and intangible assets and € 37.0 million (€ 86.9 million) for financial assets.

Dividend distributions of € 145.4 million (€ 77.3 million) mostly related to the cash dividends paid to the shareholders of Südzucker AG (including the special dividend of € 72.2 million) and to minority interests in consolidated subsidiaries. Of the special dividend, € 68.1 million was reinvested in Südzucker by means of a capital increase (distribution and reinvestment). The increase of € 170.1 million in financial liabilities is mainly attributable to the issue of a ten-year bond by Südzucker Finance.

VII. Segment reporting

1. Business segments (primary segment reporting)

As set out in IAS 14 (Segment reporting), certain financial statement items are shown divided into the two segments, sugar/sweeteners and ice cream/frozen food. The segment information has been presented in accordance with internal reporting within the Südzucker Group. The sugar/sweeteners segment includes sugar and feedstuffs, Isomalt, Inulin and Oligofructose, special sugar products and portion packs, the starch factories in Austria and Hungary, and agriculture.

The ice cream/frozen food segment is made up of the activities of Schöller Group, Nuremberg and Freiburger Group, Berlin.

Segments are measured by their operating profit, i.e. profits before restructuring costs and exceptional items, before amortisation of goodwill, interest, investment income and expense.

Operating margin is calculated as the percentage of operating profit to sales. Transactions between segments are made at normal market conditions.

Segment net assets consist of non-current assets less financial assets and working capital of the segment (inventories, trade receivables and other assets less trade accounts payable and other short-term liabilities). Segment liabilities consist of medium-term and long-term third-party liabilities excluding financial debt. Capital expenditures and depreciation of tangible non-current assets include additions to, and depreciation of, tangible and intangible non-current assets (excluding goodwill). The investments in financial assets also include acquisitions of consolidated subsidiaries.

	2000/01			1999/2000		
	Group	Sugar/ sweeteners	Ice cream/ frozen food	Group	Sugar/ sweeteners	Ice cream/ frozen food
€ million						
Sales	4 664.0	2 972.5	1 691.5	4 516.6	2 830.1	1 686.5
Operating profit	391.6	351.1	40.5	329.4	271.5	57.9
<i>Operating margin</i>	<i>8.4 %</i>	<i>11.8 %</i>	<i>2.4 %</i>	<i>7.3 %</i>	<i>9.6 %</i>	<i>3.4 %</i>
Segment assets	2 832.5	1 979.3	853.2	2 763.2	1 896.1	867.1
Segment liabilities	920.6	689.7	230.9	909.1	666.3	242.8
Expenditures on tangible assets	214.5	132.9	81.6	233.6	117.1	116.5
Investments in financial assets	37.0	20.6	16.4	86.9	81.7	5.2
Depreciation of tangible assets	(243.2)	(158.4)	(84.8)	(238.2)	(152.8)	(85.4)
Employees	28 415	12 841	15 574	29 579	13 121	16 458

2. Geographic segments (secondary segment reporting)

	2000/01	1999/2000
	€ million	
Sales		
Germany	2 101.5	2 109.5
Other EU countries	1 670.2	1 571.0
Total EU countries	3 771.7	3 680.5
Eastern Europe	512.9	400.6
Other countries	379.4	435.5
	4 664.0	4 516.6
Segment assets		
Total EU countries	2 525.3	2 470.2
Eastern Europe	299.2	287.8
Other countries	8.0	5.3
	2 832.5	2 763.3
Expenditures on tangible assets		
Total EU countries	186.8	193.6
Eastern Europe	27.6	39.5
Other countries	0.1	0.5
	214.5	233.6

VIII. Other notes

1. Related parties

A related party as defined in IAS 24 (Related party disclosures) is Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG Stuttgart (SZVG), which holds a majority of the shares in Südzucker AG by means of its own holding of Südzucker shares and the shares held by it on trust for its co-operative members.

Items recorded on the accounts held for SZVG in 2000/01 were mainly cash received from dividends and business transactions. There is an agreement to pay interest on the balances on these accounts at normal market rates.

A report on related party transactions has been prepared as set out in § 312 Stock Corporation Law.

Assuming that the shareholders' annual general meeting approves the proposed dividend, the total remuneration of members of the executive board of Südzucker AG amounted to € 2.4 million and the total remuneration of the members of the supervisory board amounted to € 0.7 million. In addition, the members of the executive board and of the supervisory board received further remuneration of € 0.4 million for carrying out management functions at various subsidiaries.

A total of € 10.8 million has been accrued in respect of pension obligations to former members of the executive board and supervisory board and their dependent relatives. Payments made during the year amounted to € 1.1 million.

Advances and loans made to the members of the executive board bear interest at 5 % and amounted to € 0.1 million at February 28, 2001.

2. Earnings per share

	2000/01	1999/2000 ¹⁾
Earnings for the year (excluding minority interests) in € million	187.9	147.8
Number of shares	139 058 192	136 359 042
Earnings per share in €	1.35	1.08

¹⁾ adjusted

The calculation has been made in accordance with requirements set out in IAS 33 (Earnings per share). The number of shares represents the weighted average number of shares in issue during the year, less the number of Südzucker shares held by AGRANA Beteiligungs-AG.

3. Supervisory board and executive board

Supervisory board

Stephan Freiherr Zobel von Giebelstadt zu Darstadt

Honorary chairman

Ochsenfurt

Former chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.

Dr. Hans-Jörg Gebhard

Chairman (from August 24, 2000)

Eppingen

Chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.

Other board memberships¹⁾:

AGRANA Beteiligungs-AG, Vienna, Austria

Schöller Holding GmbH & Co. KG, Nuremberg

Südzucker GmbH, Zeitz

(chairman from December 13, 2000)

SZVG Süddeutsche Zuckerrübenverwertungs-

Genossenschaft eG, Ochsenfurt

(chairman)

Hans-Georg Andreae

Chairman (to August 24, 2000)

Münster

Former chairman of the Association of Süddeutsche Zuckerrübenanbauer e. V.

Other board memberships¹⁾:

*AGRANA Beteiligungs-AG, Vienna, Austria -
to July 11, 2000*

Schöller Holding GmbH & Co. KG, Nuremberg

Südzucker GmbH, Zeitz

(chairman) - to December 13, 2000

SZVG Süddeutsche Zuckerrübenverwertungs-

Genossenschaft eG, Ochsenfurt

(chairman)

VK Mühlen AG, Hamburg

Franz-Josef Möllenberg²⁾

Deputy chairman

Rellingen

Chairman of the Food and Catering Union

Other board memberships¹⁾:

DGB-Rechtsschutz GmbH, Düsseldorf

Nestlé Deutschland AG, Hamburg

(deputy chairman)

Dr. Ulrich Weiss

Deputy chairman

Kronberg, Taunus

*Former member of the executive board of
Deutsche Bank AG*

Other board memberships¹⁾:

ABB Asea Brown Boveri AG, Mannheim

Benetton SpA, Ponzano, Italy

Continental AG, Hanover

Ducati SpA, Bologna, Italy

Heidelberger Zement AG, Heidelberg

O & K Orenstein & Koppel AG, Berlin (chairman)

Piaggio S.p.A., Pontedera, Italy

Ulrich Ambold²⁾

Nuremberg

(from August 24, 2000)

Businessman

Other board memberships¹⁾:

Schöller Holding GmbH & Co. KG, Nuremberg

Heinz Christian Bär

Karben-Burg Gräfenrode

President of the Hessisch Bauernverband e.V.

(from December 7, 2000)

Other board memberships¹⁾:

Landwirtschaftliche Rentenbank, Frankfurt/Main

LBH Steuerberatungsgesellschaft mbH, Friedrichsdorf

Vereinigte Hagelversicherung VWAG, Gießen

¹⁾ Statutory appointments and appointments to comparable management bodies of domestic and foreign enterprises.

²⁾ Employee representative

Karl Börs²⁾**Ratingen**

Deputy chairman of the Group works council of Schöller Holding GmbH & Co. KG

Günter Denzig²⁾**Witten**

Chairman of the Group works council of Schöller Holding GmbH & Co. KG

Other board memberships¹⁾:

Schöller Holding GmbH & Co. KG, Nuremberg

Helmut Drescher²⁾**Wattenheim**

Chairman of the works council of Südzucker AG Mannheim/Ochsenfurt

Hartmut Eklöh**Hagen**

Former member of the executive board of Douglas Holding AG

(to November 23, 2000)

Other board memberships¹⁾:

Adelta COM AG, Düsseldorf (chairman)

Alfred Ritter GmbH, Waldenbuch

Douglas Holding AG, Hagen

Hussel GmbH, Hagen

Selecta AG, Zug, Switzerland

Walter Erhard²⁾**Regensburg**

Deputy chairman of the works council of Südzucker AG Mannheim/Ochsenfurt

Paul Freitag**Oberickelsheim–Rodheim**

Chairman of the Association of Fränkische Zuckerrübenbauer e. V.

Hans Hartl²⁾**Ergolding**

State area chairman of the Food and Catering Union

Other board memberships¹⁾:

Schöller Holding GmbH & Co. KG, Nuremberg

(deputy chairman)

Südfleisch Holding AG, Munich

(deputy chairman)

Dr. Christian Konrad**Vienna**

Chairman of the supervisory board of AGRANA Beteiligungs-AG, Vienna

Other board memberships¹⁾:

AGRANA Beteiligungs-AG, Vienna, Austria

BAYWA AG, Munich

BIBAG AG, Vienna, Austria

Kurier Redaktions-GmbH, Vienna, Austria

(chairman)

Kurier Ges. mbH, Vienna, Austria

(chairman)

Leipnik-Lundenburger Invest-Beteiligungs AG,

Vienna, Austria

(chairman)

Mediaprint GmbH & Co. KG, Vienna, Austria

(chairman)

Raiffeisen Finanzierungs-AG, Vienna, Austria

(chairman)

Raiffeisen Ware Austria AG, Vienna, Austria

Raiffeisen Zentralbank Österreich AG, Vienna, Austria

(chairman)

Schöller Holding GmbH & Co. KG, Nuremberg

Siemens Österreich AG, Vienna

SZVG Süddeutsche Zuckerrüben-

verwertungs-Genossenschaft eG, Ochsenfurt

Uniqa Versicherungen AG, Vienna, Austria

(chairman)

Zeitschriften Vertriebs- und Beteiligungs-AG,

Vienna, Austria (chairman)

Jörg Lindner²⁾

Hamburg

Divisional officer of the Food and Catering Union

Other board memberships¹⁾:

*Nestlé Deutschland AG, Frankfurt
Schöller Holding GmbH & Co. KG, Nuremberg*

Ulrich Müller

Illsitz

*Chairman of the Association of the Sächsisch-Thüringische Zuckerrübenanbauer e.V.
(from August 24, 2000)*

Other board memberships¹⁾:

*Raiffeisenwarengesellschaft mbH, Größnitz
Südzucker GmbH, Zeitz
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt
(deputy chairman)*

Erich Muhlack²⁾

Regensburg

*Manager of the Plattling, Rain and Regensburg works,
Südzucker AG Mannheim/Ochsenfurt*

Reiner Schulz²⁾

Römstedt

*Chairman of the works council of Schöller Lebensmittel GmbH & Co. KG Uelzen works
(from August 24, 2000)*

Other board memberships¹⁾:

Schöller Holding GmbH & Co. KG, Nuremberg

Richard Schwaiger

Aiterhofen

Chairman of the Association of bayerische Zuckerrübenanbauer e. V.

Other board memberships¹⁾:

AGRANA Beteiligungs-AG, Vienna, Austria

Dr. Bernd Thiemann

Kronberg, Taunus

Former chairman of the executive board of DG BANK Deutsche Genossenschaftsbank

Other board memberships¹⁾:

*Berentzen AG, Haselünne (deputy chairman)
EM TV & Merchandising AG, Unterföhring
IVG AG, Bonn
M.M. Warburg KGaA, Hamburg
Nordland Papier AG, Dörpen
R + V Versicherung, Wiesbaden
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt
Thyssen/Krupp Stahl AG, Duisburg
Veba Oel AG, Gelsenkirchen
Westfälische Hypothekbank AG, Dortmund*

Edwin Vetter²⁾

Nuremberg

*Chairman of the works council of Schöller Lebensmittel GmbH & Co. KG
(to August 24, 2000)*

Other board memberships¹⁾:

Schöller Holding GmbH & Co. KG, Nuremberg

Peter Weber²⁾

Oberasbach

*Deputy chairman of the works council of Schöller Lebensmittel GmbH & Co. KG
(to August 24, 2000)*

Other board memberships¹⁾:

Schöller Holding GmbH & Co. KG, Nuremberg

Ernst Wechsler

Westhofen

Chairman of the Association of Hess.- Pfälzische Zuckerrübenanbauer e. V.

¹⁾ Statutory appointments and appointments to comparable management bodies of domestic and foreign enterprises.

²⁾ Employee representative

Gerhard R. Wolf

Worms

Former member of the executive board of BASF AG

Other board memberships¹⁾:

Hornbach Holding AG, Bornheim (chairman)

Hornbach Baumarkt AG, Bornheim

K+S AG, Kassel (chairman)

Kali und Salz GmbH, Kassel (chairman)

STINNES Aktiengesellschaft, Mülheim, Ruhr

VTG Lenkering AG, Duisburg

Executive board

Dr. Theo Spettmann (spokesman)

External board memberships

Supervisory board:

Berentzen Group AG, Haselünne

*(chairman, from June 21, 2000)**

Fresenius Medical Care AG, Hof an der Saale

*(from April 3, 2000)**

*Gerling Industrie Service AG, Cologne**

*Karlsruher Versicherung AG, Karlsruhe**

*Meierei Zentrale GmbH, Berlin (to May 23, 2000)**

*VK Mühlen AG, Hamburg**

Advisory council:

BW Bank, Stuttgart

Group board memberships

Supervisory board:

Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG, Berlin

Schöller Holding GmbH & Co. KG, Nuremberg

*(from May 24, 2000)**

Südzucker Verkauf GmbH, Oberursel

(deputy chairman)

Südzucker International GmbH, Ochsenfurt

Advisory council:

AIH Agrar-Industrie-Holding GmbH, Mannheim

(chairman)

Eismann Family GmbH & Co. KG, Mettmann

(chairman)

Geti Wilba Wild- und Geflügelverarbeitung

GmbH & Co. KG, Bremervörde (chairman)

Männich GmbH & Co. KG, Kassel (chairman)

Administrative council:

Raffinerie Tirlemontoise S.A., Brussels, Belgium

Südzucker group Export Centre S.A. (SEC),

Brussels, Belgium (chairman)

* Statutory appointments per § 285 (10) HGB

Dr. Christoph Kirsch

External board memberships

Supervisory board:

Ropczyce sugar factory, Ropczyce, Poland

Advisory council:

Deutsche Bank AG, Frankfurt

Frankfurter Versicherung AG, Frankfurt

Landesbank Baden-Württemberg, Stuttgart

Ruhrgas AG, Essen (from January 1, 2001)

Group board memberships

Supervisory board:

AGRANA Beteiligungs-AG, Vienna, Austria

*Freiberger Lebensmittel GmbH & Co. Produktions-
und Vertriebs KG, Berlin*

*Südzucker Verkauf GmbH, Oberursel
(chairman)*

Südzucker International GmbH, Ochsenfurt

Advisory council:

BETA Beteiligungs GmbH, Mannheim (chairman)

*Südzucker Versicherungs-Vermittlungs-GmbH,
Mannheim (chairman)*

Administrative council:

*Raffinerie Tirlemontoise S.A., Brussels, Belgium
(chairman)*

Dr. Klaus Korn

External board memberships

Supervisory board:

Kerevitas A.S., Istanbul, Turkey

Ropczyce sugar factory, Ropczyce, Poland

Group board memberships

Supervisory board:

*Palatinit of America Inc., Morris Plains, USA
(chairman)*

*Schöller Holding GmbH & Co. KG, Nuremberg**

Söllmer A.S., Istanbul, Turkey

*Südzucker GmbH, Zeitz (deputy chairman)**

Südzucker International GmbH, Ochsenfurt

Advisory council:

Mönnich GmbH & Co. KG, Kassel

*Südzucker Versicherungs-Vermittlungs-GmbH,
Mannheim*

Administrative council:

Raffinerie Tirlemontoise S.A., Brussels, Belgium

*Palatinit Asia Pacific Pte Ltd., Singapore
(director)*

* Statutory appointments per § 285 (10) HGB

Johann Marihart

External board memberships

Supervisory board:

Ottakringer Brauerei AG, Vienna, Austria

*Leipnik Lundenburger Invest Beteiligungs-AG,
Vienna, Austria*

top.equity Unternehmensbeteiligungs AG, Vienna

Advisory council:

*Zuckerforschung Tulln GmbH, Tulln
(chairman)*

Administrative council:

TÜV Österreich, Vienna, Austria (president)

Shareholder committee:

*Österreichische Nationalbank, Vienna, Austria
(general advisory council)*

Group board memberships

Supervisory board:

*AGRANA Zucker und Stärke AG, Vienna, Austria
(chairman)*

*Moravskoslezské Cukrovary a.s.,
Hrusovany, Czech Republic
(chairman)*

EHCF Kft., Acs, Hungary (chairman)

*Magyar Cukor Rt., Budapest, Hungary
(chairman)*

Advisory council:

*Österreichische Rübensamenzucht GmbH, Tulln,
Austria (chairman)*

Administrative council:

Raffinerie Tirlemontoise S.A., Brussels, Belgium

Shareholder committee:

*Hungrana Kft., Szabadegyhaza, Hungary
AGRANA Internationale Verwaltungs- und Asset-
Management AG, Vienna (chairman)*

Dr. Rudolf Müller

External board memberships

Supervisory board:

Meierei Zentrale GmbH, Berlin

(deputy chairman) (to May 23, 2000)*

*Zuckerfabrik Ropczyce, Ropczyce, Poland
(deputy chairman)*

Group board memberships

Supervisory board:

*AGRANA Beteiligungs-AG, Vienna, Austria
(deputy chairman)*

*AGRANA International AG, Vienna, Austria
(deputy chairman)*

*BGD Bodengesundheitsdienst GmbH, Mannheim
(chairman)*

*REKO Erdenvertrieb GmbH, Regensburg
(chairman)*

*Südzucker GmbH, Zeitz**

*Südzucker International GmbH, Ochsenfurt
(chairman)*

Advisory council:

Eismann Family GmbH & Co. KG, Mettmann

Administrative council:

Raffinerie Tirlemontoise S.A., Brussels, Belgium

* Statutory appointments per § 285 (10) HGB

4. Significant investments of the Südzucker Group

The significant investments are listed by segment. A list of all investments, as required by § 313 para. 4 HGB, has been lodged with the commercial register in Mannheim.

	Location	Country	SZ share	Indirect holding
Sugar/sweeteners				
Südzucker AG				
Palatinit Süßungsmittel GmbH ¹⁾	Mannheim		100.00	
Südzucker GmbH ¹⁾	Zeitz		100.00	
Zschortauer Feldfrucht GmbH ¹⁾	Zschortau		51.00	
Cukrownia Lubna S. A.	Kazimierza Wielka	Poland	75.40	
Cukrownia Ropczyce S. A.	Ropczyce	Poland	38.85	
Cukrownia Garbów S. A.	Garbów	Poland		92.03
Cukrier Krolewski	Krakau	Poland	100.00	
Cukrownia Strzyżów S. A.	Strzyżów	Poland	81.24	
Fabrica de Zahar Alexandreni S. A. ³⁾	Alexandreni	Moldova	48.70	
Fabrica de Zahar Donduseni S. A. ³⁾	Donduseni	Moldova	49.99	
Fabrica de Zahar Drochia S. A. ³⁾	Drochia	Moldova	49.99	
Fabrica de Zahar Falesti S. A. ³⁾	Falesti	Moldova	49.87	
BGD Bodengesundheitsdienst GmbH ¹⁾	Mannheim		100.00	
Regensburger Komposterde Vertrieb GmbH ¹⁾	Regensburg		100.00	
BETA Beteiligungs GmbH	Mannheim		5.00	
Raffinerie Tirllemontoise S. A., Brussels, Belgium			73.80	5.00
Sucres de Tirlemont S. A.	Tienen	Belgium		100.00
Suikerfabriek van Veurne S. A.	Veurne	Belgium		67.95
Hottlett Sugar Trading S. A.	Berchem	Belgium		62.55
Candico S. A.	Merksem	Belgium		75.50
ORAFI Oreye S. A.	Oreye	Belgium		99.89
Suikers G. Lebbe S. A.	Oostkamp	Belgium		99.88
Renco B.V.	Renco	The Netherlands		100.00
Portion Pack European Holding B.V.	Oud Beijerland	The Netherlands		100.00
Atlanta Dethmers Beheer B.V.	Groningen	The Netherlands		
James Fleming & Co. Ltd.	Newbridge	Great Britain		100.00
Sugarfayre Limited	Ashington	Great Britain		100.00
W.T. Mather Ltd.	Ashton-in-Makerfield	Great Britain		100.00
Groupe Nougat Chabert & Guillot	Montelimar	France		100.00

	Location	Country	SZ share	Indirect holding
AGRANA Beteiligungs-Aktiengesellschaft, Vienna, Austria⁴⁾			43.20	
AGRANA Zucker und Stärke AG	Vienna	Austria		98.91
Magyar Cukorgyártó es Forgalmazó Rt.	Budapest	Hungary		88.37
Cukrovar Hrusovany n.J.a.s.	Hrusovany	Czech Republic		97.15
S.C. Danubiana Roman S.A.	Roman	Romania		79.06
S.C. Beta Tândărei S.A.	Tândărei	Romania		86.11
S.C. Zaharul S.A. Buzău	Buzău	Romania		78.14
Cukrovar Nova a.s.	Sered	Slovakia		100.00
Gemercukor a.s.	Rimavská Sobota	Slovakia		100.00
Ice cream/frozen food				
Schöller Holding GmbH & Co. KG²⁾			65.00	
Schöller Lebensmittel GmbH & Co. KG ²⁾	Nuremberg			100.00
Schöller Budatej BT	Törökbálint	Hungary		99.97
Schöller Artykuly Spozywze Spólka z. o. o.	Namyslow	Poland		100.00
Söllmer Dondurma Sanayi A.S.	Istanbul	Turkey		60.00
Schöller N.V.	Beerse	Belgium		100.00
Kerevitas Gida Sanayi ve Ticaret A.S.	Istanbul	Turkey		25.17
Schöller Marken GmbH & Co. KG.	Nuremberg			100.00
Schöller Direct GmbH & Co. KG ²⁾	Nuremberg			100.00
Family Frost International	Mettmann			100.00
Hjem-IS Europa A/S	Esbjerg	Denmark		100.00
Hemglass Sverige AB	Strängnäs	Sweden		100.00
Eismann International TK-Spezialitäten GmbH ²⁾	Mettmann			100.00
Eismann Tiefkühl-Heimservice GmbH & Co. KG	Mettmann			100.00
Heimfrost Schumacher GmbH & Co. ²⁾	Delmenhorst			100.00
GETI WILBA Wild- und Geflügelspezial- verarbeitung GmbH & Co. KG ²⁾	Bremervörder			100.00
ESTABLECIMIENTO FRIGORIFICO AZUL S.A.	Buenos Aires	Argentina		100.00
Gut Adlersreuth GmbH & Co. KG ²⁾	Oberreute			100.00
Pest Megyei Hütöipari Rt.	Albertirsa	Hungary		100.00
Erlenbacher Backwaren GmbH	Groß-Gerau			100.00
Maitre Paul B.V.	Tilburg	The Netherlands		100.00
Freiberger Group				
Freiberger Lebensmittel GmbH & Co. Prod.-/Vertr. KG	Berlin		100.00	
PrimAS Tiefkühlprodukte GmbH	Oberhofen	Austria	100.00	
Mönnich GmbH & Co. KG	Kassel		100.00	
AIH Agrar-Industrie-Holding GmbH	Mannheim		50.00	
AW-Beteiligungs GmbH	Ochsenfurt			75.76

¹⁾ Exemption from publishing financial statements per § 264 para. 3 HGB

²⁾ Exemption from publishing financial statements per § 264 (b) HGB

³⁾ Controlling influence per contracted agreement

⁴⁾ Majority of voting share

IX. Proposed appropriation of earnings

It will be proposed to the annual general meeting that the retained earnings of € 192,930,864.79 of Südzucker AG, Mannheim/Ochsenfurt be appropriated as follows:

Distribution of a dividend of	€ 0.34 per ordinary share	€ 38 039 492.40
and a special dividend of	€ 1.00 per ordinary share	€ 111 880 860.00
giving a total distribution of	€ 1.34 per ordinary share	€ 149 920 352.40
on 106 553 200 ordinary shares		
Distribution of a dividend of	€ 0.38 per preference share	€ 11 828 434.80
and a special dividend of	€ 1.00 per preference share	€ 31 127 460.00
giving a total distribution of	€ 1.38 per preference share	€ 42 955 894.80
on 29 645 200 preference shares		
Giving a total dividend of		€ 49 867 927.20
and a special dividend of		€ 143 008 320.00
Total distribution		€ 192 876 247.20
Earnings carried forward		€ 54 617.59
Unappropriated earnings		€ 192 930 864.79

A corporation tax credit of 3/7 of the dividend is attached to the dividend, which can be credited together with withholding tax and solidarity surcharge against the income tax or corporation tax liability of domestic shareholders who are not exempt from taxes.

Withholding tax and solidarity surcharge are not deducted at source for shareholders who have submitted a certificate of tax exemption to their custody bank. In such cases, the tax credit is also credited by the paying bank.

This also applies to shareholders who have submitted an exemption application to their custody bank, to the extent the exempt amount has not already been used by other investment income received.

Mannheim, May 25, 2001
THE EXECUTIVE BOARD

Dr. Spettmann Dr. Kirsch Dr. Korn Marihart Dr. Müller

The financial statements of Südzucker AG, prepared in accordance with German accounting principles and upon which KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft has issued an unqualified opinion, will be published in the Federal Gazette and will be filed with the commercial register of the district court of Mannheim. It can be received from the company on request.

X. Auditors' Report

Following their audit of the consolidated financial statements and group management report of Südzucker AG prepared in euros for the year ended February 28, 2001, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft issued the following auditors' report:

We issue the following report on compliance of the consolidated financial statements of Südzucker AG Mannheim/Ochsenfurt, Mannheim, for the year ended February 28, 2001 with International Accounting Standards (IAS):

"We have audited the consolidated financial statements prepared by Südzucker AG Mannheim/Ochsenfurt, consisting of the balance sheet, statement of income, statement of movements in shareholders' equity, statement of cash flows and notes, for the business year from March 1, 2000 through February 28, 2001. The preparation and contents of the consolidated financial statements prepared in accordance with International Accounting Standards (IAS) are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on the results of our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing standards, generally accepted standards for audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary guidance in International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the consolidated financial statements are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are

taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records and the consolidated financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements present fairly, in all material respects, the assets and liabilities, financial position, results of operations and cash flows of Südzucker Group for the year ended February 28, 2001 in accordance with International Accounting Standards (IAS).

Mannheim, May 25, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Schmid	von Hohnhorst
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the supervisory board

The executive board regularly keeps the supervisory board informed, in writing and orally, about the business activities, the position of the Group, specific topics of current interest and significant questions relating to business strategy. Based on these reports, the supervisory board discussed all major transactions with the executive board, and supervision and advice were provided to management. The chairman of the supervisory board also regularly held meetings with the spokesman of the executive board in order to ensure a regular flow of information and exchange of opinions between the two boards.

The supervisory board met with the executive board at four regular meetings held during 2000/01 to discuss the position of the Group, strategic developments of the business and its segments as well as considering many other specific topics of current interest.

At the supervisory board meeting on June 28/29, 2000 the adjustment to production capacities in the sugar area to meet the EU-wide reduction in area under cultivation was a major topic. Following detailed discussions, in particular with representatives of the employees and beet farmers, it was resolved to close the Delitzsch, Zeil and Löbau works. Further themes relating to the sugar/sweeteners segment of significance at the supervisory board meetings were strategies to optimise European-wide sugar activities and the achievement of further market opportunities for functional food products within the Group, including the resulting increased capacities needed. Opportunities available to the Südzucker Group to take advantage of changes in customer behaviour and the sugar market regulation by taking operating and strategic measures were also themes which generated extensive discussion. In the ice cream/frozen food segment increased competition, unsatisfactory price levels in the retail trade and long-term growth prospects were significant matters for intensive dis-

cussions between the supervisory board and executive board. In addition to these strategic and financial matters, the supervisory board and executive board always considered the effects on the staff. This applied in particular to the question of impending works closures and efforts made to find acceptable solutions for the employees affected.

At the end of the annual general meeting on August 24, 2000 Hans-Georg Andreae, who was chairman of the supervisory board for many years, retired. Dr. Hans-Jörg Gebhard took over as chairman. Also at the end of the annual general meeting two of the employee representatives, Edwin Vetter and Peter Weber, retired from the supervisory board. They were replaced by Ulrich Ambold and Reiner Schulz. The annual general meeting also elected Ulrich Müller member of the supervisory board. Effective November 23, 2000 Hartmut Eklöh retired from the supervisory board and was replaced by Heinz Christian Bär with effect from December 7, 2000. The supervisory board thanks all those members who have retired, in particular the former chairman, Hans-Georg Andreae, for their responsibility and active involvement in the company.

The 2000/01 financial statements of Südzucker AG and the management report, combined for Südzucker AG and the Group, were audited, together with the accounting records, by KPMG Deutsche Treuhand-Gesellschaft AG, Wirtschaftsprüfungsgesellschaft, Mannheim, who issued an unqualified audit report.

This also applies to the consolidated financial statements prepared using International Accounting Standards (IAS). As set out in § 292 a German Commercial Code, the attached IAS consolidated financial statements exempt the Group from preparing consolidated financial statements in accordance with German accounting rules. The supervisory board has had sight of all documentation relating to the

Report of the supervisory board

financial statements and the recommendation by the executive board on the appropriation of earnings, including the long-form report issued by the auditors. They have been examined by the supervisory board and discussed in the presence of the auditors. The supervisory board agrees with the results of the audit carried out by the external auditors and, as a result of its own examination, determined no matters which would lead to a qualification of its opinion.

At a meeting on June 28, 2001 the supervisory board acknowledged the consolidated financial statements for 2000/01, approved and thus adopted the financial statements of Südzucker AG for 2000/01 and agreed the executive board's recommendation on appropriation of earnings.

In view of the information provided by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG), Stuttgart described in the management report, the executive board has prepared a report on related party transactions in accordance with § 312 Stock Corporation Law. The external auditors have audited this report, reported in writing on the results of their audit and issued the following opinion:

"As a result of our audit, which we carried out in accordance with professional standards, we confirm that:

1. the facts set out in the report are correct,
2. charges to the company for business transactions listed in the report were not unreasonably high,
3. with respect to the matters listed in the report, no reasons existed for a materially different conclusion than that drawn by the executive board."

The supervisory board reviewed and approved the results of the audit by the external auditors. Following its own audit the supervisory board found no reasons to contradict the declaration of the executive board at the end of this report.

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

Mannheim, June 28, 2001

THE SUPERVISORY BOARD

Dr. Hans-Jörg Gebhard
Chairman