Annual Report Südzucker AG 2002/03

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SÜDZUCKER

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Südzucker – key figures

		IAS 2002/03	IAS 2001/02	IAS 2000/01	IAS 1999/2000	IAS 1998/99	HGB 1997/98	HGB 1996/97	HGB 1995/96	HGB 1994/95	HGB 1993/94
Group											
Employees (average during the year)		**14,855**	23,638	28,415	29,579	25,619	20,394	19,239	19,539	12,597	10,243
Total assets	€ million	**5,826**	5,843	4,947	4,677	4,588	3,597	3,622	3,196	2,991	3,190
Non-current assets	€ million	**3,237**	3,303	2,387	2,450	2,436	1,662	1,741	1,605	1,599	1,703
Shareholders' equity	€ million	**2,221**	2,010	1,703	1,619	1,553	904	1,016	867	871	890
as % of total liabilities and shareholders' equity	%	**38.1**	34.4	34.4	34.6	33.8	25.1	28.1	27.1	29.1	27.9
Medium-term and long-term third-party liabilities	€ million	**1,813**	1,928	1,598	1,502	1,523	1,123	1,094	1,097	949	1 013
Total shareholders' equity, medium-term and long-term liabilities	€ million	**4,034**	3,938	3,301	3,121	3,076	2,028	2,110	1,964	1,820	1,903
as % of non-current assets	%	**124.6**	119.2	138.3	127.4	126.3	122.0	121.1	122.4	113.8	111.8
Current assets less short-term third-party liabilities	€ million	**797**	635	914	671	640	366	369	359	221	200
Capital expenditures on tangible assets[1)]	€ million	**207**	219	215	233	238	209	213	194	142	289
Capital expenditures on financial assets[2)]	€ million	**46**	1,671	37	87	209	184	209	77	42	70
Total capital expenditures	€ million	**253**	1,890	252	320	447	393	422	271	184	359
Gross cash flow from operating activities	€ million	**580**	551	498	472	464	480	437	410	371	309
as % of sales	%	**13.2**	11.5	10.7	10.5	10.3	11.5	11.3	10.7	11.6	11.6
Sales	€ million	**4,384**	4,776	4,664	4,517	4,504	4,187	3,885	3,826	3,203	2,677
of which foreign	€ million	**3,024**	2,672	2,404	2,407	2,404	2,075	1,923	1,852	1,731	1,256
Personnel expense	€ million	**526**	684	728	720	711	654	620	622	455	366
Income from ordinary operating activities[3)]	€ million	**520**	465	392	329	308	279	259	242	215	221
as % of sales	%	**11.9**	9.7	8.4	7.3	6.8	6.7	6.7	6.3	6.7	8.3
Net earnings for the year	€ million	**315**	281	209	174	140	167	146	114	116	77
as % of sales	%	**7.2**	5.9	4.5	3.8	3.1	4.0	3.8	3.0	3.6	2.9
Earnings per share	€	**1.52**	1.45	1.30	1.04	0.89	1.02	0.89	0.78	0.76	0.70
Beet processing	1,000 t	**29,744**	25,030	22,251	23,432	21,224	20,294	19,718	19,416	17,978	16,804
Beet processing capacity	1,000 t/day	**336**	342	290	279	245	245	233	233	237	190
Sugar production	1,000 t	**4,707**	4,010	3,491	3,596	3,078	3,169	3,103	2,819	2,666	2,562
Sugar sales volumes	1,000 t	**4,514**	4,694	3,617	3,414	3,282	3,149	2,816	2,851	3,093	2,404
Dividend per € 1 ordinary share	€	**0.50**[4)]	0.47	1.34	0.87	0.33	0.33	0.33	0.30	0.30	0.30
Total dividend distribution	€ million	**87**	82	193	120	47	46	43	36	36	35

1) Including intangible assets.
2) Including acquisitions of consolidated subsidiaries, excluding pro rata earnings from equity-accounted associates.
3) Until 1997/1998 adjusted income from ordinary operating activities per German accounting principles (HGB).
4) Proposed.

Südzucker Aktiengesellschaft Mannheim/Ochsenfurt

Group Annual Report
for 2002/03
March 1, 2002 through
February 28, 2003

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

Contents

The numbers in brackets in this annual report relate to the previous year.

Südzucker Group segments

Südzucker AG
Mannheim/Ochsenfurt, Mannheim

Sugar segment

Sales	€ 3,359 million
Operating income	€ 397 million
Capital expenditures	€ 135 million
Employees	11,543

Western Europe

- 12 sugar factories in Germany
- Sugar production: 1,756,000 tonnes

Eastern Europe

- 6 sugar factories in Poland
- 3 sugar factories in Moldova
- Sugar production: 215,000 tonnes

Special products segment

Sales	€ 1,025 million
Operating income	€ 123 million
Capital expenditures	€ 72 million
Employees	3,312

Palatinit

- Production and global marketing of Isomalt, the sugar-free sweetener

Freiberger

- Production and European-wide marketing of deep-frozen pizzas, pastas and baguettes

The numbers are for 2002/03.

Raffinerie Tirlemontoise S. A., Brussels (85.41 %)	Saint Louis Sucre S. A. (SLS), Paris (85.19 %)	AGRANA Beteiligungs–Aktiengesellschaft, Vienna (44.87 %)
■ 4 sugar factories in Belgium ■ Sugar production: 681,000 tonnes	■ 5 sugar factories and one refinery in France ■ Sugar production: 1,147,000 tonnes ■ Bio-ethanol	■ 3 sugar factories in Austria ■ Sugar production: 456,000 tonnes
		■ 2 sugar factories in Hungary, the Czech Republic, Slovakia and Romania (of which1 refinery) ■ Sugar production: 453,000 tonnes (incl. 144,000 tonnes raw sugar refinery)
Orafti ■ Development, production and global marketing of food ingredients such as inulin, oligo-fructose, fructose syrup and rice starch products **Surafti** ■ Production and sale of sugar-based food ingredients **Portion Pack Europe** ■ Production and marketing of portion pack articles		**Starch** ■ 3 production locations in Austria ■ Processing of 267,000 tonnes of corn and 200,000 tonnes of potatoes for use in food and non-food areas ■ 1 production location in Hungary ■ 1 production location in Romania

Supervisory board and executive board*

Supervisory board *

Dr. Hans–Jörg Gebhard
Chairman
Eppingen
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

Heinz Christian Bär
Karben – Burg Gräfenrode
Vice-president of the Deutsche Bauern-verband e. V.

Gerlinde Baumgartner**
Osterhofen
Member of the works council of the Plattling works of Südzucker AG Mannheim/Ochsenfurt from August 22, 2002

Robert Bausewein**
Ochsenfurt
Member of the works council for the factory and headquarters at Ochsenfurt Südzucker AG Mannheim/Ochsenfurt March 19 through August 22, 2002

Dr. Ulrich Brixner
Frankfurt
Chairman of the executive board of DZ BANK AG

Rolf Bucher**
Offenau
Member of the works council of the Offenau works of Südzucker AG Mannheim/Ochsenfurt March 19 through August 22, 2002

Helmut Drescher**
Wattenheim
Chairman of the works council Südzucker AG Mannheim/Ochsenfurt

Walter Erhard**
Regensburg
Deputy chairman of the works council Südzucker AG Mannheim/Ochsenfurt to August 22, 2002

Ludwig Eidmann
Groß-Umstadt
Chairman of the Association of Hessen-Nassauischen Zuckerrübenanbauer e. V. from August 22, 2002

Manfred Fischer**
Feldheim
Deputy chairman of the works council Südzucker AG Mannheim/Ochsenfurt from August 22, 2002

Paul Freitag
Oberickelsheim-Rodheim
Chairman of the Association of Fränkische Zuckerrübenbauer e. V.

Max Fröschl**
Aholming
Chairman of the works council of the Plattling works of Südzucker AG Mannheim/Ochsenfurt March 19 through August 22, 2002

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

Klaus Kohler**
Bad Friedrichshall
Chairman of the works council of the Offenau works of Südzucker AG Mannheim/Ochsenfurt from August 22, 2002

Dr. Christian Konrad
Vienna
Chairman of the supervisory board of AGRANA Beteiligungs-AG, Vienna

Jörg Lindner**
Hamburg
Divisional officer Food and Catering Union

Ulrich Müller
Illsitz
Chairman of the Association of Säch-sisch-Thüringischer Zuckerrübenanbauer e. V.

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

Gunter Schneickert**
Offstein
Chairman of the works council of the Offstein works of Südzucker AG Mannheim/Ochsenfurt March 19 through August 22, 2002

Richard Schwaiger
Aiterhofen
Chairman of the Association of bayeri-sche Zuckerrübenanbauer e. V.

Klaus Viehöfer**
Grana
Member of the works council of the Zeitz works of Südzucker GmbH from August 22, 2002

Ernst Wechsler
Westhofen
Chairman of the Association of Hess.-Pfälzische Zuckerrübenanbauer e. V.

Roland Werner**
Saxdorf
Chairman of the works council of the Brottewitz works of Südzucker GmbH from August 22, 2002

Gerhard R. Wolf
Worms
Former member of the executive board of BASF AG to August 22, 2002

Members of the executive board, from left to right: Dr. Rudolf Müller, Frédéric Rostand, Dr. Christoph Kirsch, Dr. Theo Spettmann, Dr. Klaus Korn, Albert Dardenne, Johann Marihart.

Executive board *

Dr. Theo Spettmann
(Spokesman)
Ludwigshafen

Sugar sales
Strategic corporate planning/ group development/investments
Public relations
Organization/IT
Food law/consumer policy/quality control
Personnel and social matters
Marketing

Albert Dardenne
Melin, Belgium

Administrateur délégué der Raffinerie Tirlemontoise S.A.
Surafti
Portion Pack
ORAFTI

Dr. Christoph Kirsch
Weinheim/Bergstraße

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

Dr. Klaus Korn
Ochsenfurt

Production/technical
Research/development/services
Procurement of capital goods/ maintenance materials, services
Palatinit

Johann Marihart
Limberg, Austria

Chairman of the executive board of AGRANA Beteiligungs-AG
Raw material crops/starch
South-eastern Europe

Dr. Rudolf Müller
Ochsenfurt

Agricultural policies
Beet/feedstuffs and by-products
Farms
Research and development in the agricultural area
Audit
Poland

Frédéric Rostand
Paris, France

Chairman of the executive board of Saint Louis Sucre S.A.
Bio-ethanol/cane sugar

* *A listing of other board memberships is set out on page 90 of the annual report.*
** *Employee representative.*

Agenda

We invite our shareholders to the

annual general meeting

to be held at the Mozartsaal, Congress Center Rosengarten, 68161 Mannheim, Rosengartenplatz 2 on Thursday July 31, 2003, at 10.30 a.m..

1. Presentation of the annual financial statements, the approved consolidated financial statements and the management report of Südzucker AG Mannheim/Ochsenfurt and the group for 2002/2003, together with the report of the supervisory board.
2. Appropriation of retained earnings
3. Ratification of the acts of the executive board for 2002/03
4. Ratification of the acts of the supervisory board for 2002/03
5. Additional appointments to the supervisory board
6. Changes to the by-laws
7. Approval of corporate contracts
8. Authorisation to issue convertible and option bonds and to establish restricted authorised capital, with a change to the by-laws
9. Election of auditors for 2003/04

Proposals regarding the resolutions

Item 2 on the agenda:
The executive board and supervisory board propose that the retained earnings of € 87,437,861.19 be appropriated as follows:

Distribution of a dividend of € 0.50 per share on 174,787,946 ordinary shares	€ 87,393,973.00
Carried forward to the new year	€ 43,888.19
Unappropriated retained earnings	€ 87,437,861.19

The dividend will be distributed on August 1, 2003.

Items 3 and 4 on the agenda:
The executive board and supervisory board recommend that their actions for 2002/03 be ratified.

Item 5 on the agenda:
Dr. Ulrich Weiss, Kronberg has stated that he will retire from the supervisory board at the end of the annual general meeting on July 31, 2003.

The supervisory board recommends that, in his stead,

Erwin Hameseder, 1020 Vienna, Austria, managing director of Raiffeisen-Holding Niederösterreich-Wien reg.Gen.m.b.H., Vienna, Austria

be appointed as shareholders' representative on the supervisory board for the remaining period of the current appointment of the present members of the supervisory board, i.e. until the end of the annual general meeting which passes a resolution for the ratification of actions for 2006/07.

Magister Erwin Hameseder (47) studied law at Vienna university. He is chairman of the management board of Raiffeisen-Holding Niederösterreich-Wien which, in turn, is the holding company of a group with some 220 subsidiaries.

Mr. Hameseder holds appointments in the following control bodies in and outside Austria, which are comparable with German statutory supervisory boards:

- AGRANA Beteiligungs-AG, Vienna, Austria
- Bau Holding STRABAG AG, Spittal, Austria
- Erste Niederösterreichische Brandschaden-Versicherungs AG, Vienna, Austria
- KURIER Beteiligungs-AG, Vienna, Austria (chairman)
- MFAG-Mittelstandsfinanzierungs-AG, Vienna, Austria
- NÖM AG, Baden, Austria (chairman)

The supervisory board is made up of members as set out in § 96 para. 1 and § 101 para. 1 Stock Corporation Law and § 1 para. 1 and § 7 para. 1 of the Co-determination Law.

The annual general meeting is not bound to abide by any recommendations when electing the shareholders' representatives.

Item 6 on the agenda:
The by-laws of the company are to be changed to conform with recent company law amendments and in order to implement the German corporate governance code.

6.1 As set out in § 25 Stock Corporation Law (amended to incorporate the law reforming company law and the law on financial statements, transparency and publicity (or TransPuG)), the company's public announcements are posted on the electronic Federal Gazette. In order to clarify that the company's publications no longer have to be published in the printed version of the Federal Gazette, the executive board and supervisory board recommend that § 3 of the by-laws be redrafted as follows:

"The company's announcements are published in the electronic Federal Gazette."

6.2 Following the issue of almost all the authorised capital approved in 2001, this authorised capital has now served its purpose.

The executive board and supervisory board thus recommend that the following be resolved:

The authorised capital will be cancelled;
§ 4 para. 4 will be deleted.

6.3 In line with the recommendations of the German corporate governance code (number 5.4.5. para. 1 sentence 3), the chairman and members of supervisory board committees will be remunerated separately in future. Furthermore, the by-laws should clarify that the determination of the period in office of supervisory board members involves rounding the period to full months.

The executive board and supervisory board thus recommend that the following be resolved:

The following new paras. 3 and 4 should be inserted in § 12:

"(3) The amounts stated in para. 1 increase by 25 % per membership in a committee of the supervisory board. For the chairman of a committee, the uplift amounts to 50 %. This assumes that the committee concerned has met during the year. Memberships of the management committee and negotiation committee are excluded from this remuneration provision.

(4) Changes in the supervisory board and/or its committees are reflected in their remuneration in relation to the period in office, with rounding up or down to full months."

The new remuneration provisions will be valid for the first time for 2003/04.

6.4 The German corporate governance code recommends that a representative be available to act as proxy in exercising the voting rights of shareholders in accordance with their instructions. Implementation of this recommendation should be set out in the company by-laws.

Hence, the executive board and supervisory board suggest that the following new sentence 2 be added to § 15 para. 1:

"The company appoints one or more representatives to act as proxy in exercising the voting rights of shareholders in accordance with their instructions."

Current sentences 2 and 3 of § 15 will then be sentences 3 and 4.

6.5 § 118 para. 3 Stock Corporation Law (as amended to incorporate TransPuG) permits annual general meetings to be transmitted visually and orally if the by-laws permit. In order to give the executive board the opportunity to permit an appropriate transmission if this appears reasonable in future, the executive board and supervisory board recommend that the following be resolved:

In § 16 of the by-laws the following new para. 4 is to be added:

"(4) The annual general meeting can, on the instruction of the chairman of the meeting, be completely or partly transmitted visually and orally. The transmission can also be made in a form that gives the general public unlimited access. The form of transmission is be published together with the invitation to the meeting."

Item 7 on the agenda:

The executive board and supervisory board recommend that the completion of control and profit and loss transfer agreements between Südzucker AG and

- Südzucker Bioethanol GmbH,
- Mönnich GmbH,
- Südtrans Speditionsgesellschaft mbH,

on June 2, 2003 be approved.

The agreements, submitted to the annual general meeting for its approval as set out in § 293 Stock Corporation Law, have the following significant contents:

– Management of the companies is delegated to Südzucker AG.
– The companies are required to transfer their unappropriated retained earnings to Südzucker AG.
– Südzucker AG is required to make good any losses of the companies as set out in § 302 Stock Corporation Law.
– The companies can, with Südzucker AG's agreement, set up revenue reserves from their profits for the year to the extent these can be justified by reasonable prudent business judgement.
– As the companies have no minority shareholders, Südzucker AG is not required to make any settlement or termination payments.
– The agreements enter into force when they are entered in the commercial register. With the exception of the management powers of Südzucker AG, they are valid effective March 1, 2003 or, for the agreement with Südzucker Bioethanol GmbH, from January 1, 2003.
– The agreements may first be terminated by either

party on February 29, 2008 and thereafter at the end of each financial year. The agreement with Südzucker Bioethanol GmbH may first be cancelled by either party on December 31, 2007.

The control and profit and loss transfer agreements dated June 2, 2003, the financial statements and management report of the parties to the agreement and the joint reports of the executive board of Südzucker AG and management bodies of the related companies as set out in § 293a Stock Corporation Law are available at the offices of the parties to the contracts for viewing by the shareholders as from the date of invitation of the annual general meeting. Any shareholder may receive a copy of the documents described above on demand.

Item 8 on the agenda:
The executive board and supervisory board recommend that the following be resolved:

a) Authorisation to issue convertible and option bonds and waive existing shareholders' pre-emptive rights

The executive board is authorised, with the approval of the supervisory board, to issue bearer or registered option and/or convertible bonds with a nominal value of up to € 250,000,000 and with a maximum term of five years in one or more tranches up to July 31, 2008 ("bonds") and grant the holders of the bonds option or conversion rights to equity shares of the company with a proportionate amount of ordinary share capital of up to € 13,000,000, as set out in the bond conditions and the conditions for the restricted authorised capital approved for this purpose.

The bonds can be issued in the legal currency of an OECD country as well as in euros, up to the limit of the euro equivalent of the overall nominal value set out in this authorisation.

They can also be issued directly or indirectly by subsidiaries in which Südzucker has a majority of the voting shares, in which case the executive board is authorised, with the approval of the supervisory board, to issue a guarantee for payment obligations of the issuing company arising from the bond issue and to grant the bondholders options or conversion rights to shares in the company.

The shareholders have legal pre-emptive rights on bond issues. They can also be transferred to a bank or a consortium of banks with the obligation to be offered to existing shareholders. However, the executive board is authorised, with the approval of the supervisory board, to exclude rounding amounts arising from calculating the pre-emptive rights amounts from the rights of existing shareholders, and also exclude share issues from pre-emptive rights to the extent necessary to grant pre-emptive rights to the holders or creditors of option or conversion rights, to the extent they are entitled to shares on converting the option or conversion rights. Furthermore, the executive board is authorised, with the approval of the supervisory board, to cancel the pre-emptive rights of shareholders upon issue of bonds to the extent the issue price of the bonds is not significantly lower than their fair values determined by recognised methods. However, this authorisation to exclude the pre-emptive rights is only applicable to bonds which have option or conversion rights to acquire equities for a proportionate amount of ordinary share capital of up to € 13,000,000. This amount decreases in proportion to the amount of ordinary share capital attributable to new shares issued with a waiver of pre-emptive rights, as set out in § 186 para. 3 sentence 4 Stock Corporation Law, based on the conditions for authorisation to increase the share capital out of authorised capital valid at the time the bonds were issued.

In the event of the issue of option bonds, one or more option warrants will be attached to each bond, entitling the holder to rights to acquire ordinary shares in the company subject to conditions set out by the executive board. The proportionate amount of ordinary share capital of the shares entitled to be acquired for each bond may not exceed the nominal value of the option bonds. The maximum exercise period of the option rights is 5 years.

In the event of the issue of convertible bonds, the holders of the convertible bonds have the right to convert their bonds, subject to conditions set out in the bond issue documents, into ordinary shares in the company. The conversion rate is calculated by dividing the nominal value or, to the extent this is lower than the nominal value, the issue amount of a bond by the pre-determined conversion price for an ordinary share. Hence, the bond conditions can determine a variable conversion ratio and a conversion price within a range to be determined based on changes to the share price during the term of the convertible bond. The conversion ratio can be rounded up or down to a full amount. Furthermore, an additional amount may be required to be paid in cash. Alternatively, rounding differences may be combined and/or settled in cash.

The proportionate amount of the ordinary share capital used for the shares to be issued on conversion may not exceed the nominal value of the convertible bonds. The bond conditions can provide that the exercise of the option or conversion rights can be delivered from the company's existing treasury shares instead of from issuing new shares out of restricted authorised capital.

In the event the options or the conversion rights are exercised, the bond conditions can give the company the right to pay cash rather than issuing shares in the company. The cash amount is calculated based on the non-weighted average price of the shares of the company taken from the Xetra closing auction on the Frankfurt securities exchange (or a comparable reference price from a successor system) during the last stock exchange trading days before the options or the conversion rights are exercised.

The option or conversion price for an ordinary share with an imputed nominal share of the ordinary share capital of € 1 must, also for a variable option or conversion price, be equivalent either to at least 80 % of the average quoted market price of the ordinary shares of the company taken from the Xetra closing auction on the Frankfurt securities exchange (or a comparable reference price from a successor system) on the ten stock exchange trading days before the day on which the executive board passes the resolution to issue the option or convertible bonds, or to at least 80 % of the average quoted market price of the ordinary shares of the company taken from the Xetra closing auction on the Frankfurt securities exchange (or a comparable reference price from a successor system) during the days on which the conversion rights are traded on the Frankfurt securities exchange, with the exception of the last two exchange trading days on which these rights are traded.

Irrespective of § 9 para. 1 Stock Corporation Law, the option or conversion price can be reduced in accordance with a dilution protection clause detailed in the bond conditions if, during the option or conversion period, the company increases the ordinary share capital, granting pre-emptive rights to its shareholders, issues or guarantees the issue of more option or convertible bonds, or grants other option rights, and the holders of the option or convertible rights are not granted pre-emptive rights to the extent that they would be entitled to upon exercise of the option or conversion rights. Instead of a payment in cash or a reduction in the additional payment, the conversion ratio can, to the extent possible, be adjusted by dividing by the reduced conversion price. The bond conditions can also provide for an adjustment to the option or conversion rights in the event of other measures relating to the capital, restructurings or extraordinary dividends or other comparable measures leading to a dilution in value of the shares issued.

The executive board of the company is authorised, with the approval of the supervisory board, to determine further details relating to the issue and terms of option and/or convertible bonds, in particular interest rates, issue price, maturity and denomination, option or conversion price and option or conversion period, or to provide for such matters in agreement with the management bodies of the subsidiaries issuing the option and/or conversion bonds.

b) Restricted authorised capital

The ordinary share capital of the company is to be contingently increased by up to € 13,000,000 by issuing up to 13,000,000 new shares with an imputed share in the ordinary share capital of € 1 each. The restricted authorised capital increase serves to grant rights to the holders of option and convertible bonds which, in accordance with the authorisation set out in a) above, can be issued by the company or by a directly or indirectly held subsidiary in which the company holds a majority share of the voting shares. The issue of new shares is made at the conversion or option price to be determined in accordance with the authorisation set out under a) above. The restricted authorised capital increase is only to be made to the extent that use is made of these rights or to permit conversion by the bond holders to whom there is a conversion obligation. The new shares are entitled to a share in profits from the beginning of the year in which they are issued by way of exercising convertible option rights or fulfilling conversion obligations. The executive board is authorised, with the approval of the supervisory board, to determine further details for carrying out a restricted authorised capital increase.

c) Change to the by-laws

§ 4 of the by-laws will be supplemented by the following new para. 4:

"(4) The ordinary share capital is to be increased by up to € 13,000,000 through the issue of up to 13,000,000 new shares with an imputed amount of the ordinary share capital of € 1 each. The restricted authorised capital increase will only be carried out to the extent that:

a) holders or creditors of conversion rights or option warrants which are attached to convertible or option bonds issued by the company or its directly or indirectly majority-held subsidiaries up to July 31, 2008 who exercise their conversion or option rights, or

b) holders or creditors of convertible bonds issued by the company or its directly or indirectly majority-owned subsidiaries up to July 31, 2008 exercise their obligation to convert.

The new shares are entitled to a share in profits from the beginning of the year in which they are issued by way of exercising convertible option rights or fulfilling conversion obligations."

Item 9 on the agenda:
The supervisory board proposes that PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main be appointed auditors for 2003/04.

Report of the executive board on item 8 on the agenda:
The authorisation applied for under agenda point 8 should enable the company to take advantage of attractive financing opportunities. The executive board should be in a position to be able to issue option and/or conversion bonds which meet the needs of

capital markets. Where appropriate, the company's majority-held subsidiaries should also be able to tap German or international capital markets, depending on the market situation, and be able to issue bonds in euros or in the statutory currency of an OECD country. The existing shareholders normally have a pre-emptive right to take up such issues. However, with the approval of the supervisory board, such rights can be waived in order that the issue can be made at rates which are not substantially lower than the market value of the option and/or convertible bonds issued. By being able to waive the pre-emptive rights the company has the flexibility to take rapid advantage of beneficial stock market conditions to place the option and/or convertible bonds on the market at reasonable prices. Waiving pre-emptive rights also serves to simplify a placement made for a widely-distributed group of international investors, particularly for new investors, and thus helps expand the company's investor base.

Even after implementation of the amendment to § 186 para. 2 Stock Corporation Law as a result of the Transparency and Publicitation Law, market conditions are not guaranteed for an issue with pre-emptive rights. The period between the latest possible time for the final determination of the pre-emptive rights price and the end of the rights period still requires a safety premium or discount. Thus, in addition to the time requirements set out in § 186 para. 2 sentence 2 Stock Corporation Law (at the latest three days before the end of the rights period), the advance notice period required by the individual publication media concerned for publishing the amount to be issued has to be considered.

The requirements of § 186 para. 3 sentence 4 Stock Corporation Law must be complied with for waiving the pre-emptive rights as set out in § 221 para. 4 sentence 2 Stock Corporation Law. In order to comply with the maximum limit of 10 % of the ordinary share capital for exempting pre-emptive rights set out in the law, the issue of new shares is limited to a proportion of the ordinary capital totalling up to € 13,000,000. A further condition set out in § 186 para. 3 sentence 4 Stock Corporation Law is that the issue price has to be not significantly lower than the quoted stock exchange price. In connection with the issue of option or convertible bonds this means that the issue price per bond cannot be significantly lower than its fair value. This reflects the need to protect existing shareholders from dilution of their shareholdings. Due to the requirement set out in the authorisation that the issue price be not significantly below market value, the value of a pre-emptive right is, in practice, reduced to zero. This means that shareholders suffer no financial disadvantage through being denied their pre-emptive rights. Shareholders who wish to maintain their proportionate share in the ordinary share capital of the company can achieve this by buying further shares in the market.

Furthermore, the exemption from pre-emptive rights for rounding amounts enables the authorisation requested to use round amounts and simplifies the processing of measures taken to increase the capital. The exemption from pre-emptive rights to the benefit of the holders/creditors of option or conversion rights, or the holders of convertible bonds with conversion obligations, has the advantage that, in the event of using the authorisation, the option or conversion price for the holders/creditors of existing option or conversion rights or the holders of convertible bonds with conversion obligations does not need to be reduced in accordance with existing option or conversion conditions.

Participtaion in the annual general meeting / Proxy voting rights

Ordinary shareholders are entitled to attend the annual general meeting and to exercise their voting rights on condition they deposit their shares by July 24, 2003 at the latest, either with the company or a securities depository bank, a German notary public or at branches of the banks listed below, and to leave them in the safe custody of these depositories until after the annual general meeting:

Deutsche Bank AG
DZ BANK AG
Dresdner Bank AG

If shares are deposited with a notary public or securities depository bank, the original certificate of deposit or a notarised copy thereof must be submitted to the company by July 25, 2003 at the latest.

Shareholders shall be deemed to have deposited their shares in the proper manner if their shares are held at another bank with the agreement of an officially-recognised depository until the annual general meeting has been concluded.

Shareholders who deposit their shares can exercise their voting rights without personally attending the annual general meeting by authorising whomsoever they elect, for example a bank or a shareholder association, to exercise their voting rights.

As a special service, for the first time this year the company is offering its shareholders the opportunity to appoint persons named by the company, who are authorised to act as voting representatives and who are required to comply with proxy voting instructions. Shareholders who wish to appoint a person named by the company to act as their voting representatives require an entrance ticket to the annual general meeting. A power of attorney to the benefit of a person named by the company to act as voting representative requires explicit voting instructions regarding the resolution concerned. A power of attorney must be in writing. The necessary documentation and information will be received by shareholders together with their entrance tickets.

Opposing resolutions and shareholders' recommendations are to submitted only to the following address at least two weeks before the annual general meeting.

Südzucker AG Mannheim/Ochsenfurt
Investor Relations
Maximilianstr. 10; 68165 Mannheim
Telefax: +49 (0) 621 421-463
E-mail: investor.relations@suedzucker.de

Shareholders resolutions will be published immediately after their receipt under the following internet address:

www.suedzucker.de/investorrelations/de/
hauptversammlung

Any comments thereon made by the company are also published on this website. The invitation to the annual general meeting and the annual report are also available on this website.

The invitation was published in the Federal Gazette no. 111 on June 18, 2003 as well as in the electronic Federal Gazette on June 18, 2003.

Mannheim, June 2003

SÜDZUCKER AKTIENGESELLSCHAFT
Mannheim/Ochsenfurt
The executive board

Sweet Fondant

This phrase has gone down in history. To be sure, it was not a reference to our sweet Berliner doughnut. But this has found its place in history as well – in the history of good eating. This may be due to its fluffy dough or its delicious filling. But most certainly it is due to its delicate sugary topping, its fine snow-white fondant icing. Fondant products from Südzucker provide the ideal icing for pastries. Pure fondant, rolled and piped fondant icing are examples from our range of products for processors. Just making sure our Berliners remain the talk of the town!


ein Berliner.

Dear shareholders,

Südzucker is currently by far the largest European sugar enterprise and is market leader both in the European Union and in the countries of eastern Europe. Focussing on our core business, sugar, and the dynamic growth of the special products segment give the group the energy to work successfully, even in difficult conditions. The rigorous and rapid implementation of our business strategy has already yielded successful results in 2002/03.

This was most clearly shown by an increase of 11.9 % in operating income to € 520 million (€ 465 million) and of 12.2 % in net earnings to € 315 million (€ 281 million). Südzucker was thus able to increase its operating margin to 11.9 % (9.7 %). We clearly demonstrated our cash-generating ability by increasing cash flow to € 580 million (€ 551 million). Earnings per share of € 1.52 (€ 1.45) also underlines the success of the group's new structural direction.

Following the strategic emphasis in 2001/02 on re-focussing our activities, the main thrust in the past year was in taking measures to secure and improve the profitability of the sugar and special products segments. One important change was an extensive reorganization of the group structure, accompanied by a broadly-based, critical analysis of workflows and production processes. Overall, this review has led further integration of our operations, increased efficiency and an improved market position.

For example, we have established a powerful marketing organization with the ability to care for our customers' specific needs throughout the group. A substantial challenge lay in offsetting the negative effects on our export business of conditions on the world sugar market. The group's expanded and improved co-operation within the framework of our existing Südzucker Export Centre strengthened our market position. Our clear group structure enables new business activities to be incorporated smoothly and ensures maximum operating flexibility wherever our customers are located.

In addition to marketing, we have also carefully reviewed other key group-wide processes, such as research and development and production, identified opportunities of optimising these processes and have introduced the changes needed to improve efficiency and profitability. Our research and development activities are networked throughout the European Union, with a high degree of coordination and cooperation between our main R&D centers. Our researchers' ambitions and our long-term group strategy are that Südzucker should achieve a high rate of innovation, continuing to contribute to expanding our market share and maintaining our profitability in the future. We aim to establish a product portfolio for the sugar and special products segments covering functional, individual items as well as integrated systems solutions for our customers. We are occupying further market niches with an expanded range of tailored products, partly developed jointly with our customers.

The restructuring program relating to the sugar segment's production locations was completed in Germany with the closure of the Löbau works at the end of the 2002 campaign, together with capital expenditures to raise capacity at other locations. It is not currently possible to predict whether additional restructuring programs will be needed due to further export restrictions or deterioration in overall conditions.

After a delay of several years, on March 26, 2003 the Polish state treasury ministry approved the sale of Slaska Spolka Cukrowa (SSC), the Silesian sugar group, to Saint Louis Sucre Group, part of the Südzucker Group. Thus, as planned, Südzucker has strengthened its existing position in Poland and has achieved its objectives of reaching a market share of 25 %. After France and Germany, Poland is the third largest European sugar producer and, with some 40 million inhabitants, is the most important market of all the central European countries. Thus, even before Poland joins the European Union in 2004, Südzucker has been able to supplement the group's six existing factories located in eastern Poland with fourteen Silesian sugar factories. In future, our newly-established group in Poland will be that country's second-largest sugar company, with an EU quota of 422,000 tonnes of sugar and sales of some € 300 million. The new grouping will simplify a restructuring of the neighboring Silesian and eastern Polish sugar factories needed for EU membership and will provide synergies in procurement, production, administration and marketing.

As part of its concentration on its core business activities, Südzucker has sold all its shares in VK Mühlen AG, Hamburg, held via AIH Agrar-Industrie-Holding, to Leipnik-Lundenburger Invest Beteiligungs AG, a subsidiary of Raiffeisen-Holding Niederösterreich-Wien, VK Mühlen AG has thus gained a further strong partner in the European flour market.

Südzucker has a call option on 15 % of KWS shares with Bayer CropScience. As, by anti-trust law, Südzucker cannot currently increase its holding in KWS above 25 %, it has sold in advance the same number of KWS shares from its existing holding.

The special products segment, which provides almost a quarter of group sales, also progressed well. This segment's success is based on a strong customer orientation, a world-wide presence with a global marketing network and a highly-qualified, applications-based advisory service. The segment's products are met in many walks of life, mostly as additives in high-quality foodstuffs, but also as frozen foods such as pizzas, as portion-pack articles in catering, or as non-food, starch-based products. Based on our high level of innovation in this area we also expect double-digit growth in the medium term. In order to achieve this goal, we have combined Palatinit and ORAFTI organizationally to form a functional food products division. Hence, potential synergies from their overlapping customer base as well as in the research area can be better utilized. As well as maintaining the body's performance, functional food products also have a beneficial effect on health and are increasingly seen as a way of improving the quality of life. In order to take advantage of this trend, Südzucker has developed a high level of competence in evaluating the physiological requirements in food, particularly also regarding emotional views of foodstuffs. The key products for establishing a leading market position in this segment are Isomalt, the sugar-free sweetener extracted from sugar beet, and RAFTILINE® and RAFTILOSE®, obtained from chicory root.

Constant innovation is also the key to our success in the starch division, where we are occupying new and interesting market niches.

This also applies to our Portion Pack Europe (PPE) activities, with portion-pack items supplied to the catering industry and wholesalers. Synergies have been extracted following the acquisition of Cocachoc, the Belgium company, and PPE became market leader in the chocolate and biscuit portion-pack segment.

When viewing the broad base of Südzucker group's operations, it is clear that focussing on our core competencies was a step forward, freeing existing resources within the group to find their full potential.

We are intensively examining the potential for producing bio-ethanol for use as a fuel, and this could develop into a new business activity. The raw materials would be sugar beet and grain, from which energy-saving bio-ethanol can be produced at a plant located next to a sugar factory. We already have the technology for this process and it is being used successfully by our French company, Saint Louis Sucre. We understand the production side of the project, but there are sales-side risks due to limited tax-free exemption for bio-ethanol expiring in 2008, competition from imports from other countries and the development of demand.

A major aspect in our considerations is the interest of our shareholders. We see quality, safety, health and the environment as fundamental building blocks for continuing growth and increasing the value of Südzucker Group. As part of our relentless pursuit of sustained growth for the group, we have set up a group-wide system enabling us to take an integrated view, from agricultural production through to the end-product. As well as a long-term group strategy, high standards of corporate governance are a major condition for maintaining the trust of our shareholders. Hence, in January 2003 Südzucker adapted the standing procedural rules for the supervisory board and executive board and thus match the recommendations of the German corporate governance code established by government commission.

In December 2002 Deutsche Bank placed 6.1 % of its Südzucker shares with existing shareholders. Our Austrian shareholders acquired 4.5 % via ZSG NL (Netherlands) B.V. and thus hold 10 % of Südzucker, and Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) increased its shareholding by 1.6 % to 56 %.

We have achieved an excellent position in key markets and major new product areas and look to the future with self-assurance and confidence, particularly in these turbulent times for the sugar and food industry. We have described the discussion on the future format of the sugar market regulation, which has been prolonged through mid-2006, as from page 33 of this report. We take up the challenges facing us, make those changes needed and use all opportunities available to us, relying on our talented and entrepreneurial staff and the trust of our shareholders.

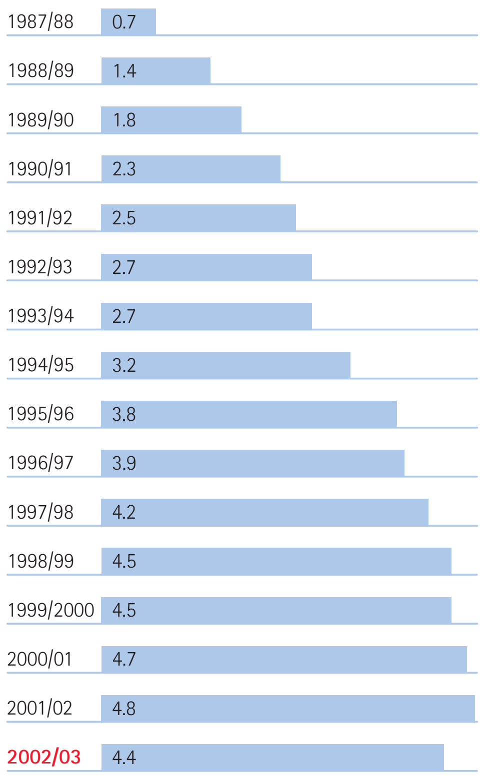
Sincerely,
SÜDZUCKER AG Mannheim/Ochsenfurt
The executive board

Highlights from the group financial statements

Group sales and profits

The pattern of Südzucker Group sales were influenced by the disposal of the Schöller Group and the acquisition of Saint Louis Sucre (SLS). The decrease of € 392 million in group revenues to € 4,384 million (€ 4,776 million) was primarily due to the change in companies consolidated in the group. The decline in turnover of € 1,096 million (9 months 2001/02) due to the disposal of Schöller could not be fully offset by revenues of € 903 million (2 months 2001/02: € 129 million) from Saint Louis Sucre, which was included for a full year for the first time. After adjusting for the acquisition of Saint Louis Sucre, the sugar segment suffered a decrease in sales, mainly due to lower C-sugar turnover. Due to the short 2001 campaign, there were lower quantities available for world exports, and these had to be marketed in the teeth of declining world sugar prices. There were lower sugar revenues from quota sugar quantities sold, due to the declassification of quota sugar quantities by the EU. The special products segment again achieved a satisfactory performance, with a jump in revenues of 11.2 % to € 1,025 million (€ 922 million), mainly through internal growth.

Change in sales
in € billion

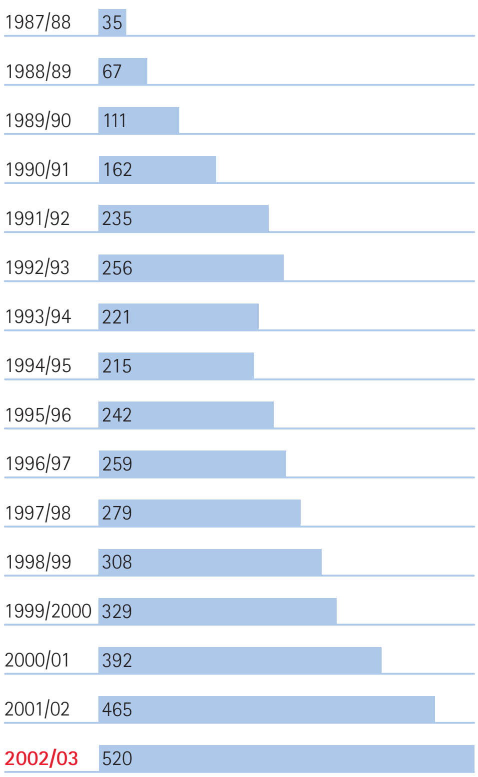


Group operating profits increased by 11.9 % to € 520 million (€ 465 million). Thus, in a difficult economic environment, the Südzucker Group has not just held up well, but has achieved a sustained improvement to its earnings quality, with operating margin rising from 9.7 % to 11.9 %.

Segment reporting was adjusted effective March 1, 2002. The sugar segment includes the sugar activities in western and eastern Europe. The special products segment includes the Palatinit, ORAFTI and starch divisions as well as the Portion Pack, Surafti and Freiberger Group activities. The previous year's figures have been reclassified to the new segments and, to improve comparability, have been adjusted to eliminate the Schöller activities, which were included last year.

Operating profits for the **sugar segment** rose by 21 % to € 397 million (€ 328 million). This increase was primarily due to the first-time full consolidation of SLS which, as expected, proved its earnings capabilities. Developments in the other EU countries (excluding SLS) were influenced by the poorer sugar export business. Results of the eastern European sugar activities varied, with different countries performing unevenly. Whereas in some countries operating margins have already reached EU levels, in particular the situation on the Polish domestic sugar market weighed on results prior to Poland's entry to the EU on May 1, 2004. Operating results of the AGRANA

Change in operating profit
in € million



subsidiaries in eastern Europe were positively affected by changing the financial year to a uniform twelve months to February 28.

The **special products segment** achieved a growth of 33.4 % in operating profits to € 123 million (in the previous year excluding Schöller: € 93 million). This segment thus meanwhile contributes almost a quarter of group turnover and profits. The increase in profits was achieved both through targeted acquisitions, particularly with the purchase of Remy Industries in the ORAFTI division, as well as continued internal growth in all divisions making up the special products segment. The operating margin for this segment overtook the sugar segment for the first time, at 12.0 % (sugar segment: 11.8 %). The return on capital employed (ROCE) of the special products segment of 16.0 % comfortably exceeded 10.9 % for the sugar segment.

Expenses from restructuring and exceptional items of € 33 million (€ 3 million) mainly relate to provisions in connection with the sale of AW-Fresenius shares in 2001/02, required due to the decrease in the Fresenius AG share price. The sale of part of the investment in KWS, reducing the holding from almost 25 % to nearly 10 %, helped to reduce these costs. Scheduled amortisation of goodwill increased by € 43 million to € 73 million (€ 30 million) following the first-time inclusion of SLS.

Financial results improved by € 3 million to net expense of € 41 million (€ 44 million). The deterioration of € 9 million in net interest expense to € 70 million (€ 61 million) was more than offset by a sharp improvement of € 12 million in investment income to € 29 million (€ 17 million), mainly from SLS investments. The effective income tax rate could be reduced to 15.6 % (27.6 %), with a drop in the Belgian tax rate from 40.2 % to 34.0 % and tax-free gains arising from one-time effects being responsible for the decrease of € 49 million in income tax expense to € 58 million (€ 107 million).

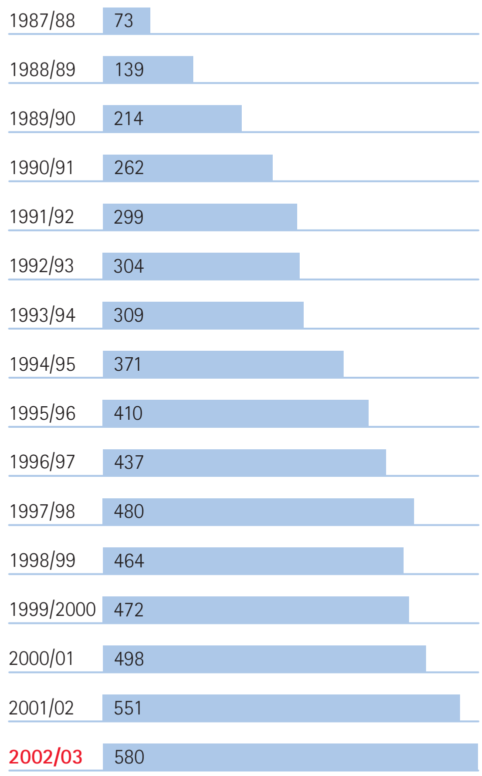
Group net earnings after tax, which rose by 12.2 %, or € 34 million, from € 281 million to € 315 million, reflect the full integration of the SLS Group, which was completed in 2002/03.

Earnings per share rose to € 1.52 (€ 1.45); this demonstrated once again that there was no earnings dilution, despite the additional shares issued in connection with the capital increase. On the contrary, Südzucker Group's earnings power has actually risen.

Balance sheet

At € 5,826 million, Südzucker Group's total assets at February 28, 2003 were slightly down on the previous year's € 5,843 million. Non-current assets decreased by € 66 million to € 3,237 million (€ 3,303 million), due to disposals, including the sale of 15 % of the KWS shareholding. Current assets rose by € 49 million to € 2,589 million (€ 2,540 million), mainly due to increased sugar inventories at February 28, 2003 following the high level of sugar production during the 2002 campaign. Group shareholders' equity increased by € 211 million to € 2,221 million (€ 2,010 million), which resulted in a higher ratio of shareholders' equity to total liabilities and shareholders' equity, up to 38.1 % (34.4 %). Net financial debt decreased by € 134 million to € 1,008 million (€ 1,142 million), which represents 1.7 times cash flow of € 580 million. With operating profits exceeding 7.4 times net interest expense and shareholders' equity and medium- and long-term liabilities covering non-current assets by 124.6 % (119.2 %), Südzucker Group's balance sheet has improved on its existing sound financial ratios even after the full integration of SLS.

Change in cash flow
in € million



Statement of cash flow

Cash flow improved by € 29 million to € 580 million (€ 551 million) in 2002/03, representing cash flow as a percentage of sales of 13.2 % (11.5 %). Capital expenditures on tangible and intangible non-current assets were slightly lower than for the previous year, at € 207 million (€ 219 million). In the sugar segment, the full integration of the SLS Group (2 months of the previous year) led to a rise in capital expenditures to € 135 million (€ 102 million). In the special products segment, capital expenditures were € 4 million below the previous year's amount, at € 72 million (€ 76 million excluding Schöller). They were primarily for expanding capacity, including of Isomalt production at Offstein and of ORAFTI production at Oreye. Investments in financial assets, last year consisting mainly of € 1,601 million for the acquisition of Saint Louis Sucre, France, amounted to € 46 million for 2002/03 and related primarily to the special products segment. The profit distribution in 2002/03 of € 120 million (€ 233 million) includes the dividend of € 82 million paid out by Südzucker AG in August 2002. In 2001/02 the distribution was affected by a dividend made in the form of a distribution and reinvestment program. With special distributions in 2000 and 2001 totaling € 215 million, Südzucker fully passed on the tax rebates from the old corporation tax credits to its shareholders. The worsened conditions for these corporation tax credits arising from the 2003 Tax Relief Reduction Law thus had no negative effects for the Südzucker shareholder.

Recommendation on appropriation of profits

The executive board and supervisory board will recommend an increase in the dividend from € 0.47 per share to € 0.50 per share to the annual general meeting on July 31, 2003; this is in line with Südzucker's results-related dividend policy. The amount to be distributed will thus rise by € 5.2 million, from € 82.2 million to € 87.4 million. The dividend will be paid on August 1, 2003 and hence some three weeks earlier than last year.

Outlook for 2003/04

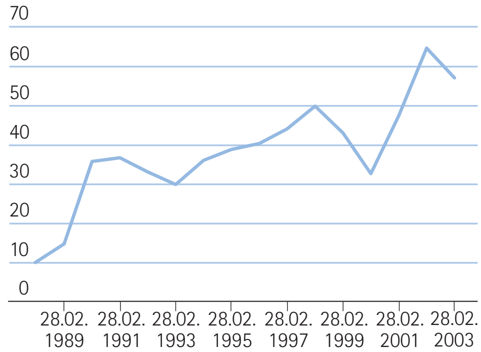
With low world-market prices, a weak dollar and unstable development of eastern European sugar markets before entry to the EU, the sugar environment for 2003/04 will be difficult. We consider that there will be a weaker operating profit, whereby we reckon with higher net earnings for the year.

Südzucker share

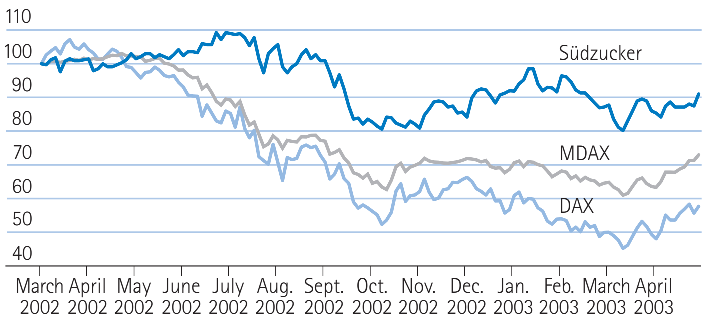
Share price movement

Investors in equities had to suffer considerable losses on all the large stock markets of the world for the third year running since 2000. This was mainly due to significant weakness in growth of the world's economy, strengthened by uncertainties and consumer reticence, and not least to developments in the Middle East. Further interest rate cuts by the American and European central banks could not stop the DAX dropping by 50 % to 2,547 points in the period from March 1, 2002 through February 28, 2003, the MDAX decreasing by 35 % to 2,843 points. The Südzucker share performed relatively well in comparison, with the share price declining by 14 % to € 14.60. After considering the dividend distribution, the overall decline was 11 %.

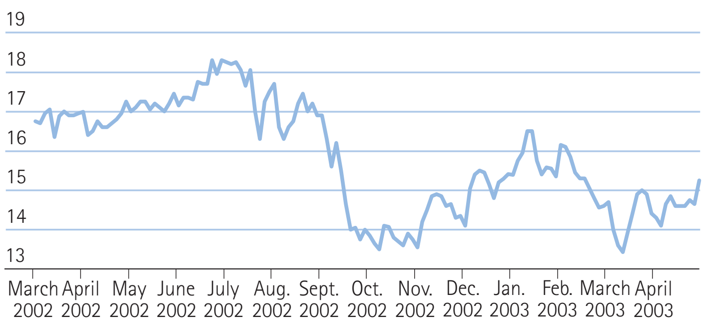
Long-term increase in value
assuming re-investment of dividend
(excluding tax credit) and rights
Value in € thousands



Price movement of the Südzucker share in comparison to DAX/MDAX
(Indexed)
Index



Price movement of the Südzucker share
From March 2002 to April 2003
in €



Long-term increase in value

With an average annual return of 12.3 % since March 1, 1988 (beginning of the financial year in which the merger with Zuckerfabrik Franken took place), the Südzucker share again performed better than the DAX, with 5.9 % p. a. or the MDAX, at 6.8 % p. a. Excluding capital increases, a portfolio of Südzucker shares with an equivalent value of € 10,000 invested 15 years ago, at the beginning of 1988/89, would have risen to € 57,100 on February 28, 2003, due to an increase in the share price, reinvested dividends and pre-emptive rights. Over the long-term, this demonstrates that the Südzucker shareholder can view Südzucker as a sound investment even in difficult times on the stock markets.

Investor relations

Our intensive dialog with investors and analysts is being continued in order to increase the transparency of the group and our business strategy. The acquisition of Saint Louis Sucre, the second largest French sugar producer, and the sale of Schöller Holding marked a change in strategy in 2002. This led to a significant strengthening of our position as Europe's largest sugar producer. Our business strategy has caused great interest at the many roadshows and meetings with analysts held in Europe and the USA particularly as, in the uncertain market conditions ruling for the past three years, investors value companies with sound cash flows, growth opportunities and defensive characteristics.

This was demonstrated at our annual general meeting in Würzburg on August 22, 2002, at which some 1,800 shareholders, representing 82 % of the ordinary shares, passed the resolutions on the agenda with majorities of over 99.9 %. The dividend increase to € 0.47 per ordinary share, following € 0.34 per ordinary share and € 0.38 per preference share (with a special dividend of € 1 in the previous year) was positively received.

Market capitalization/indices

Südzucker AG's market capitalization was € 2.55 billion (€ 2.97 billion) on February 28, 2003. Despite this decline and the change of index calculation to free float in 2002, Südzucker could improve its position within the DAX100 and reached number 36 (42) by February 28, 2003.

Deutsche Börse's new index system was implemented on March 24, 2003. Only those companies meeting prime standard (such as quarterly reporting, accounting policies using IAS or US GAAP) are included in the new DAX and MDAX. Südzucker achieved admission to prime standard on January 1, 2003. For the first index calculation Südzucker was number 5 with a market weighting of 3.5 % in the MDAX, reduced from 70 to 50 shares.

The visibility of the Südzucker share was raised at European level by admission to the Dow Jones STOXX 600 index. Effective September 23, 2002, Südzucker is the only German foodstuffs company whose shares have been admitted to the food and beverages segment. The Dow Jones STOXX 600 index aims to provide a representative picture of the entire European share market. Both indices in which Südzucker is represented are updated quarterly.

Enhanced by the conversion of preference shares to ordinary shares in 2001 and the capital increase in 2001, the Südzucker share's trading liquidity again improved. The average daily share turnover during the year increased to 362,000 (322,000) (Clearstream banking).

Südzucker share data

		2002/03	2001/02
Dividend	€	0.50[1]	0.47
Dividend yield	%	3.4	2.8
Price at the end of the year[2]	€	14.60	17.00
Market capitalization at end of year	€ million	2,552	2,971
Number of issued € 1 shares		174,787,946	174,787,946
Key ratios			
Earnings per share	€	1.52	1.45
Cash flow per share	€	3.41	3.44
Price earnings ratio		9.6	11.7
Price cash flow ratio		4.3	4.9
ROCE	%	11.8	13.2

[1]Proposed. [2]Closing price, Frankfurt stock exchange.

Südzucker share

By converting its 1,500,000 preference shares (13.6 % of share capital) to ordinary shares, AGRANA Beteiligungs-AG became eligible for listing on the prime market of the Vienna stock exchange and hence raised AGRANA's attraction for the capital market. In connection with this conversion, Südzucker and the Austrian shareholders transferred their directly-held holdings in the ordinary shares, totaling 86.4 % of the share capital, to Zucker und Stärke Holding Aktiengesellschaft, Vienna. This enabled AGRANA to have a single class of share whilst maintaining existing shareholder relationships.

AGRANA shares are listed on the prime market of the Vienna stock exchange under ISIN AT 000 060 370 9.

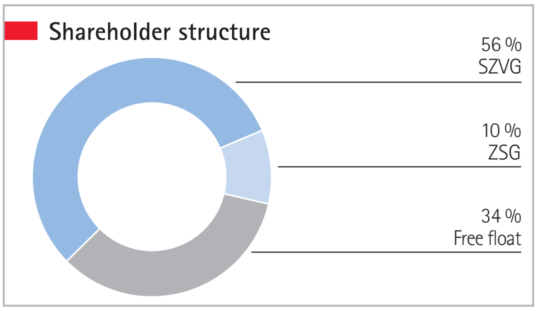
Corporate governance*

Corporate governance is a management feature of increasing interest to financial markets. Corporate governance mainly concerns the development of standards of management, corporate control and transparency in companies with the aim of achieving long-term value-added in the interest of shareholders. In Germany, a government commission was formed, resulting in the introduction of a German corporate governance code. Südzucker has studied the code in depth and submitted the declaration as set out in § 161 Stock Corporation Law in December 2002.

*See also page 54 of the annual report and www.suedzucker.de/investorrelations/de/governance.

Shareholder structure

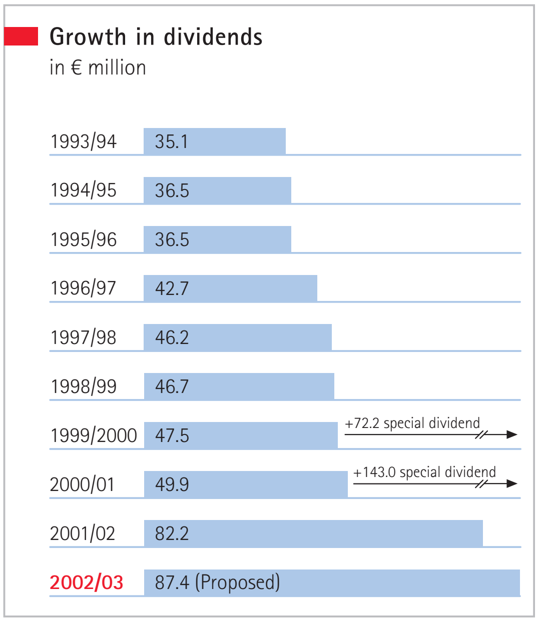
With the sale of 6.1 % of its shareholding, previously reported as totaling 11 %, in December 2002, Deutsche Bank reduced its shareholding in Südzucker to less than 5 %. The free float of Südzucker shares thus rose to 34 %. We were informed by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) that their own shareholding and those shares held



by them on trust for their own shareholders represented a majority holding of 56 %. Other major owners are our Austrian shareholders, via ZSG NL (Netherlands) B.V., with 10 %.

Dividend for 2002/03

The satisfactory growth in profitability enables us, the executive board and supervisory board, to recommend an increased dividend to the annual shareholders' meeting on July 31, 2003, up by € 0.03 to € 0.50 (€ 0.47) per share. The amount distributed will thus increase by 6 % to € 87.4 million (€ 82.2 million).



Südzucker AG securities

Südzucker ordinary shares
DE 000 729 700 4
Exchange: XETRA, Frankfurt, Stuttgart, Munich, Hamburg, Berlin, Düsseldorf, Hanover (OTC)

6.25 % bond 2000/2010
DE 000 178 080 7
Exchange: Frankfurt (official), Stuttgart and Berlin (OTC)

5.75 % bond 2002/2012
DE 000 846 102 1
Exchange: Frankfurt (official), Stuttgart and Düsseldorf (OTC)

Diary dates

Report 1st Quarter 2003/04
July 15, 2003

Annual shareholders' meeting for 2002/03
July 31, 2003 in Mannheim

Report 2nd Quarter 2003/04
October 15, 2003

Report 3rd Quarter 2003/04
Mid-January 2004

Press and analysts conference 2003/04
End of May 2004

Report 1st Quarter 2004/05
July 15, 2004

Annual shareholders' meeting for 2003/04
July 29, 2004 in Mannheim

2002 Annual general meeting in Würzburg.

Bloemsuiker

Pleasure connects. Thus the Walloons and the Flemish agree when it comes to Brussels waffles. Whether you eat them with whipped cream, chocolate sauce, fresh fruit, ice cream or all of the above – sugar is an essential part of it. Especially a touch of powdered sugar which creates the sweet topping of the waffle. How wonderful that for this very purpose there is the extra fine Bloemsuiker from the Belgian refinery Tirlemontoise.


Gemeenzaam genieten.
Jouissance nous réunit.

Sugar segment

Overview

The figures for the sugar segment relate to Südzucker AG, Südzucker GmbH and Südzucker International, Saint Louis Sucre, Raffinerie Tirlemontoise Group and AGRANA Group sugar activities. The segment also includes the agricultural and feedstuffs divisions.

Key figures for the sugar segment

		2002/03	2001/02
Sales	€ million	3,359	2,758
Operating profit	€ million	397	328
Operating margin	%	11.8	11.9
ROCE	%	10.9	13.3
Capital expenditures	€ million	135	102
Investments in financial assets	€ million	31	1,610

There were a total of 42 (45) sugar factories in the sugar group in 2002/03, of which 2 were cane sugar refineries. The number of works in the European Union fell to 25 (28) following the closure of two factories in Germany and the sale of one sugar factory in Belgium. The group has 17 (17) factories in Eastern Europe. The 14 sugar factories in Poland acquired in April 2003 are not included in these figures.

Sugar beet processed throughout the group rose by some 19 % to 29.7 million tonnes (25.0 million tonnes), with an increase in the European Union of some 17 % to 25.7 million tonnes (22.0 million tonnes) despite the sale of the Veurne factory, whereby growth was mainly due higher beet crops in Germany and France. The increase in eastern Europe to 4.0 million tonnes (3.0 million tonnes) of beet is above all due to acquisitions in Poland. The sugar content throughout the group was 17.23 % (16.77 %), whereby the rate in eastern Europe was some 2 percentage points below the EU content. Sugar production throughout the group rose by 17 % to 4.7 million tonnes (4.0 million tonnes), due to the greater quantity of beet processed and higher sugar content. Due to measures taken to improve the works structure as well as the increased sugar beet harvest, it was possible to considerably prolong the campaign period. Sugar beet processing lasted an average of 92 days (75 days) within the EU group and 71 days (63 days) in Eastern Europe.

There were 12 (14) sugar factories in operation in Germany for the 2002/03 campaign. The Löbau works is included in these figures, but was closed after the 2002 campaign. A total of 9 (7) factories are allocated to Südzucker International in eastern Europe, of which 6 (3) are located in Poland and 3 (4) in Moldova. The agricultural and feedstuffs divisions, Bodengesundheitsdienst (BGD) fertilization consultancy and REKO Erdenvertrieb GmbH composting works in Regensburg and Plattling are also directly allocated to Südzucker AG.

Following the sale of the Veurne sugar factory, Raffinerie Tirlemontoise, Belgium has 4 (5) sugar factories located in Belgium. Saint Louis Sucre, France, which was acquired in 2001, has 5 sugar factories and one cane sugar refinery operating in the traditional sugar area in France. SLS also has activities in Eastern Europe via its investment in Eastern Sugar. AGRANA Group, Austria operates a total of 11 (13) sugar factories, of which 3 (3) are located in Austria and 8 (10) in Romania, Slovakia, The Czech Republic and Hungary.

Group sugar production

in million tonnes

Global and EU market developments

Speculation affects sugar price

As expected, world sugar production exceeded world consumption by 4.5 million tonnes and hence the world stock of sugar rose to a new record of 67.5 million tonnes, equivalent to half global annual consumption. Despite awareness of this over-capacity, sugar prices rose briefly to US $ 240 per tonne. This was mainly attributable to funds which, due to a lack of alternatives, were invested in commodities such as sugar to an extent not previously known. Fund involvement in the sugar market briefly exceeded 5 million tonnes, which were withheld speculatively from the market and hence gave rise to a speculatively induced shortage. The unusual significance of this speculative element caused considerable uncertainty amongst producers, traders and buyers, particularly because these stocks will weigh on the market at a later date. This is also reflected by the unusually high volatility of the world sugar price.

Real export activity on global markets is mainly determined by Brazil which, with an estimated sugar production of 22 million tonnes, may export some 12.5 million tonnes on world markets. Brazil thus claims almost one-third of the entire world-wide export volume of some 40 million tonnes of sugar.

World Trade Organisation negotiations still open

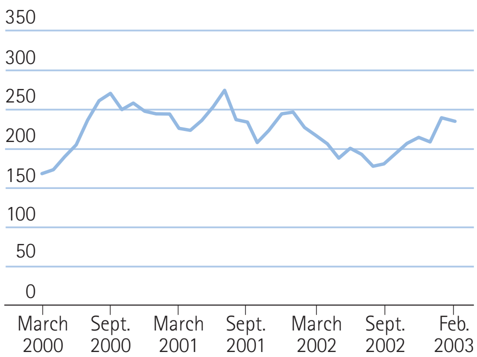
At the start of negotiations for a new round of World Trade Organisation negotiations in Doha the WTO members committed to agree by March 31, 2003 on a framework within which the various WTO members would submit recommendations by the end of 2003 to reduce their subsidies. However, the individual recommendations are so far apart that, as expected, it was not possible for agreement to be reached on time.

The suggestion made by Stuart Harbinson, the head of the WTO agricultural negotiations, would require a decrease of 60 % in customs duty for the European sugar sector. The recommendation of the European Commission to reduce customs duties by an average

Global market prices for sugar

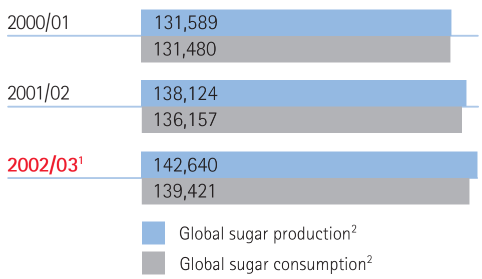
March 2000 to February 2003

London, Ww. in US-$/tonne, nearest forward trading month



Global sugar production and consumption

1,000 t raw value



	Beet sugar as a percentage of total production[3]	Inventories at August 31 as a percentage of consumption[2]
2000/01	28.1	46.8
2001/02	24.2	45.5
2002/03[1]	25.6	45.1

[1] Estimate.

[2] F. O. Licht's Europäisches Zuckerjournal No. 11 dated 09.04.2003 "Second Estimate of Global Sugar Levels 2002/03".

[3] F. O. Licht's Europäisches Zuckerjournal No. 7 dated 03.03.2003 "Second Estimate of Global Sugar Production 2002/03".

of 36 %, but at least by 15 % per product line, would also be difficult for domestic beet farmers and sugar producers.

As it proved impossible to arrive at a compromise by March 31, 2003, it can be assumed that the negotiations will recommence in September 2003 at the earliest.

Future of the sugar market regulation

The sugar market regulation was prolonged to June 30, 2006. Within this framework, the council of ministers required the commission to submit a report on the sugar market regulation in early 2003, accompanied by recommendations for reform.

In preparation for this report, the commission instructed a number of external institutions to carry out studies on the effects of various alternative reforms, competition in the European sugar sector and the passing on to consumers of changes to agricultural raw material prices by the foodstuffs industry. These studies are partly available in draft form and will be completed within the next few months.

Preliminary results of the studies revealed to date show that any major change in the sugar market regulation will have severe effects on the incomes of sugar beet farmers and of the sugar industry in the EU. Furthermore, they would have a negative effect on the sugar industries of future central and eastern European EU member states. Additionally, the many developing and ACP (Africa, Caribbean, Pacific) countries which currently profit from preferential imports to the EU would suffer considerable negative consequences from reductions in the sugar market regulation. This is also confirmed by a current study issued by the Gesellschaft für Technische Zusammenarbeit (GTZ), which has examined the effects on these countries of liberalising the sugar market regulation.

By encouraging sugar imports from the ACP countries, the sugar industry contributes considerably to the economic development of these countries. Greater sugar import volumes can be expected in the medium term as a result of a further support program for the Least Developed Countries (LDC). Considerable problems are already being experienced by Austria, Italy and Germany from the West Balkan Agreement. Development aid and reconstruction assistance are projects to be supported, but individual businesses are increasingly attempting to misuse these new opportunities to increase their own profits. It is most important to act informatively, so that assistance can also be received by those most in need.

Declassification

Contrary to expectations and the recommendations of the European sugar industry, in 2001 the EU commission made no use of the so-called declassification, which permits flexible adjustments to be made to production quotas in order to track changes in consumption and exports and thus comply with WTO commitments. In September 2002 a surprisingly high declassification coefficient of 5.7 % was set for production from the 2002/03 campaign. For German producers that meant a temporary reduction to their quotas of 7.1 %. With these unforeseen decisions, the commission contributed to considerable market uncertainty and made the link between production and actual sales volumes considerably more difficult. The sugar industry thus requested the commission in future to announce its decisions on declassification earlier than at present and to make them more closely linked to market requirements.

Production levy

The basic production levy for the 2001/02 sugar year amounts to € 1.2638 per 100 kilos of white sugar and the additional levy for B-sugar was increased by 81 % to € 23.6936 per 100 kilos. With an overall production levy on B-sugar of € 24.9601 per 100 kilos of white sugar, the maximum production levy of 39.5 % of the net intervention price was reached. Furthermore, a supplementary levy of 8.3 % was agreed. For Germany, this ranges between € 0.55 and € 0.58 per 100 kilos of white sugar. By offsetting the positive balance from the storage cost offset fund, the part to be borne by the sugar industry fell by € 0.22 per 100 kilos.

EU member candidates

Following resolution of the dispute between Poland and the EU commission on interpretation of the agreements on agricultural subsidies in the membership treaty, the governments of all EU candidate countries have agreed the membership treaties. This means that the expansion of the EU by a further 10 countries on May 1, 2004 can be completed as planned. With respect to sugar, the EU has made considerable concessions to its negotiation terms on sugar production quotas for the applicant countries. This particularly affects quotas for Latvia (+ 27 %) and Lithuania (+ 7 %), as well as Hungary (+ 6 %). The largest quota holder is Poland, with a maximum quota of 1.674 million tonnes of sugar, followed by the Czech Republic and Hungary with 0.454 million tonnes and 0.402 million tonnes of sugar respectively.

EU sugar production up by 11 %

Sugar production in the EU reached 16.92 million tonnes (14.94 million tonnes), back to almost the same level as in 2000. The main reason for the growth in 2002 was a rise of 2.7 % in the area under cultivation for sugar beet in the EU, to 1.835 million hectares (1.788 million hectares) and in sugar production to 9.06 tonnes per hectare (8.11 tonnes per hectare). Almost 400,000 tonnes (385,000 tonnes) of C-sugar was transferred to the 2003/04 sugar year.

EU sugar market 2002

Countries	Area under beet cultivation	Sugar yield[1]	Basis quota[2]	Sugar production[1]	Sugar consumption[1]
	1,000 ha	t/ha	White sugar value 1,000 t		
Germany	457	8.76	2,427	4,017	2,773
France	399[3]	11.60[3]	2,778[4]	4,973[3]	2,096
Italy	240	5.90	1,243	1,417	1,432
The Netherlands	109	9.38	640	1,023	669
Belgium/Luxembourg	98	10.20	637	1,003	545
Denmark	55	9.55	303	525	251
Ireland	31	6.58	175	204	169
Great Britain	148	8.78	998	1,300[6]	2,159
Greece	41	7.23	278	300	314
Spain	117	9.79	938	1,153	1,241
Portugal	10	7.70	70[5]	77	331
Austria	45	9.71	295	458	295
Finland	32	4.84	128	155	208
Sweden	53	7.83	323	415	385
EU-15	**1,835**	**9.06**	**11,230**	**17,020**	**12,868**

[1] Directorate-General for Agriculture, Brussels. [2] Ex-declassification quotas. [3] Excluding overseas departments.
[4] Including overseas departments. [5] Including the Azores. [6] Sugar beet, including approx. 1.5 million tonnes of ACP preferential sugar, overall production amounted to 2.8 million tonnes, or 130 % of consumption.

Performance of the Südzucker Group

Beet harvest and campaign

The area under beet cultivation for Südzucker Group in 2002/03 rose to 472,400 hectares (465,100 hectares). The reduction in area under cultivation due to the disposal of Veurne, the Belgium sugar factory, was more than offset by an expansion in Germany and France. Within the EU, the area under cultivation rose to 373,400 hectares (370,500 hectares) and in Eastern Europe to 99,000 hectares (94,700 hectares).

Area of beet under cultivation for the Group
in 1,000 ha

Due to unusually good weather conditions for beet growth in **Germany,** beet and sugar yields were high in the areas covered by Südzucker AG and Südzucker GmbH. For Südzucker AG, yields were only just lower than for 2000, a record year, and for Südzucker GmbH that year's levels could even be exceeded. The significant rainfall in the summer of 2002 was extremely beneficial to beet growth and in some regions led to record flooding. In the area covered by Südzucker GmbH some 1,200 hectares of beet on the banks of the Elbe and Mulde were under water, of which some 1,000 hectares could not be harvested. With an area under cultivation of 177,800 hectares (172,200 hectares), a total of 1.76 (1.53 million tonnes) million tonnes of sugar were produced from 11.8 million tonnes (10.1 million tonnes) of beet with a sugar content of 17.2 % (17.4 %). Following closure of the Delitzsch and Zeil works, the average campaign period rose to 95 (73) days. 2002 was the last campaign for the Löbau works. We thank and acknowledge the hard work of its staff.

In **Belgium,** the 2002 agricultural year was marked by early sowing and good growing conditions. The area under cultivation decreased to 64,300 hectares (70,800 hectares) due to the sale of Veurne, the sugar factory. The high beet yield of 66.1 tonnes per hectare (57.1 tonnes per hectare) nevertheless led to an increased beet harvest of 4.2 million tonnes (4.0 million tonnes). 681,000 tonnes (634,200 tonnes) of sugar were produced in a campaign lasting 82 days (70 days).

In **France,** optimal weather conditions in the area under cultivation for Saint Louis Sucre led to a considerably higher beet yield than for the previous year and an exceptional sugar yield. 6.7 million tonnes (5.1 million tonnes) of beet were harvested from 86,800 hectares (82,800 hectares), from which 995,000 tonnes (757,000 tonnes) of sugar were produced. The campaign lasted 100 days (82 days).

Weather conditions in spring were also satisfactory in **Austria** and adequate rainfall in summer led to good beet growth. The beet yield was 68.2 tonnes per hectare (62.0 tonnes per hectare) for AGRANA, considerably higher than for the previous year, whereby sugar content was somewhat lower, at 16.5 % (16.8 %). 3.0 million tonnes (2.8 million tonnes) of beet were yielded from 44,500 hectares (44,700 hectares) of land, from which 456,000 tonnes (423,400 tonnes) of sugar were processed. Beet processing lasted 83 days (77 days).

The seven works belonging to AGRANA International located in the central and eastern European countries processed 309,000 tonnes (280,000 tonnes) of sugar from 2.3 million tonnes (2.1 million tonnes) of beet, grown on 54,800 hectares (57,600 hectares) of land, in 82 days (67 days). Including raw sugar refining of 144,000 tonnes (132,000 tonnes), sugar production reached 453,000 tonnes (412,000 tonnes).

Thanks to good weather conditions and progress in planting technology, the beet harvest in the area under cultivation in Poland for the 6 (3) factories of Südzucker International was some 20 % higher than for the previous year, at 44.3 tonnes per hectare (36.8 tonnes per hectare). As in the previous year, the sugar yield was relatively low, at 15.7 % (15.9 %), due to the wet autumn weather. Following the acquisition of the Przeworsk sugar factory and the change in companies included in the consolidation, the area under cultivation increased to 27,100 hectares (8,100 hectares). 164,000 tonnes (41,500 tonnes) of sugar were produced from 1.2 million tonnes (0.3 million tonnes) of beet and the average campaign lasted 61 days (46 days).

In **Moldova** the beet harvest could be increased to 28.4 tonnes per hectare (21.7 tonnes per hectare), due to sufficient rainfall in summer. Lack of technical equipment and pesticides led to an unsatisfactory beet quality. 0.5 million tonnes (0.6 million tonnes) of beet with a sugar content of 13.9 % (15.0 %) were harvested from 17,900 hectares (29,000 hectares). 51,000 tonnes (64,900 tonnes) of sugar were processed in a campaign lasting 58 days (58 days).

Group beet processing
in million tonnes

Sugar sales volumes
The EU companies in the Südzucker Group reached last year's levels of sugar sales in the EU, at 2.6 million tonnes. At 1.2 million tonnes (1.5 million tonnes) of sugar, exports were down due to lower quantities available.

At 1,605,700 tonnes (1,836,600 tonnes) of sugar, total sales volumes of **Südzucker AG and Südzucker GmbH** in 2002/03 were lower than for the previous year, due to the considerable decline in volumes available for export as a result of the harvest.

Sugar sales volumes for Südzucker AG and Südzucker GmbH in the EU increased by 2.4 % to 1,245,000 tonnes (1,216,100 tonnes). Deliveries to the sugar processing industry continued to grow. However, in parallel with market trends, sales volumes to food retailers were slightly down. Whereas sales volumes to discounters showed a slight plus, sales volumes to other trade customers decreased slightly. However, it was possible to almost reach previous year's levels overall. Exports to other countries declined to 360,700 tonnes (620,500 tonnes) due to the lower volumes available for export.

General consumer reticence (trade associations speak of one of the worst years ever for the sector) further fanned the flames of price competition already raging in the food retailing industry. The deep discounters clearly profited most, and took additional market share from traditional full-range retail shops. With its range of branded articles, Südzucker is directly affected by this trend, but is also indirectly affected via sales volumes to its industrial customers. Volume declines at customers in the branded goods area and higher sales volumes to customers producing own-name articles provide evidence of a changing market.

This development was particularly noticeable in the drinks industry, our largest sugar customer. In the past, increased demand for drinks in cans and PET bottles had led to a high proportion of sales using non-returnable packaging. Due to a compulsory charge for these items introduced at the beginning of 2003, this share was sharply down and returnable containers gained ground. Production of returnable containers was expanded as a result of this change in the law, whereby some producers of non-returnable packaging had to introduce short-time work. Südzucker demonstrated its closeness to the market by being prepared for these events timely, and thus could expand its market share in this turbulent year for the industry.

Südzucker has further developed its system for improving services to customers. A flexible and reliable just-in-time supply chain reduces customer warehousing. Food safety continued to be a major topic and new concepts were developed in this area jointly with customers. Currently, a sealing system has been introduced for silo trains, which accurately documents the opening of silo trains on transportation to and from the customer.

As market leader, it is important for Südzucker to occupy niche markets. Thus, bio-sugar was again processed from local beet during the 2002 campaign. The expansion of the special products range for the food retailing industry begun last year was rigorously continued. New products in the special range help increase the attractiveness of sugar products in the full range area. Südzucker launched a 500 g package of bio-sugar made from raw cane sugar on the market, which meet trade and consumer quality requirements with its bio-seal. A mixture of traditionally-produced icing sugar and more moisture-resistant Isomalt from Palatinit results in a product with outstanding sprinkling qualities which does not become lumpy. It is sold with a newly-introduced shaker. With the changeover to tray-based packaging for all products, the retail food industry is offered packaging and palleting suitable for all types of outlets. The re-launch of the brand range has strengthened the Südzucker brand presence.

Total sales volumes at **Raffinerie Tirlemontoise** rose by 4 % due to higher sugar production in the 2002/03 campaign. Sales volumes in the EU declined slightly, whereby gains in the end-consumer market could not fully compensate for declines in the industrial area. Ti´Light, the low-calorie product, sales of which are still growing rapidly, was supplemented by Ti´Flora and Ti´Calcium, both health-related products. Candico, a subsidiary, could further extend its market position in the retailing and industrial sectors.

Sugar sales volumes at **Saint Louis Sucre** were 1,121,600 tonnes (1,144,000 tonnes) in 2002/03 (beet and cane sugar); its position in the EU could again be defended. Whereas the French and German markets are supplied from northern France, SLS has a refinery in Marseilles in a good geographic position to supply Italy and Spain. The company's market position in France could be extended, particularly by strengthening the Saint Louis, Tutti Free and Carte Blanche brands.

The re-launch of the brand range has strengthened the Südzucker brand presence.

Sugar sales volumes for **AGRANA** could be maintained at almost the same level as for the previous year, at 436,000 tonnes (444,000 tonnes). In addition to overall consumer reticence, in particular imports from the neighbouring Balkan region under the terms of the EU treaty led to a decline in domestic sales to 309,000 tonnes (326,000 tonnes). Household sugar sales and sales to the Austrian food industry were equally affected. The introduction of a compulsory packaging charge in Germany further reduced exports by the Austrian drinks industry of products in non-returnable packaging and hence domestic sales volumes in Austria.

Including increased sales volumes of sugar by subsidiaries in the central and eastern European countries of 475,000 tonnes (398,000 tonnes), the AGRANA Group achieved an overall sugar sales volume of 911,000 tonnes (849,000 tonnes).

A total of 750,000 tonnes (970,000 tonnes) of sugar from Belgium, Germany and Austria were exported to third countries during 2002/03 via **Südzuckergroup Export Centre (SEC)**. The reason for the sharp decrease was a smaller harvest by the Südzucker Group in 2001. Due to increased deliveries by competitors, above all from Brazil, we had to reduce our exports to Africa and the Middle East.

Sales volumes for the six **Polish factories** rose to 128,000 tonnes (118,000 tonnes) of sugar. The Polish sugar market is suffering from considerable overcapacity. Formation of a state Polish sugar company did not lead to market stabilisation, as the liquidity of many factories determines sales policy.

Our market position in **Moldova** could further be extended. Cancellation of the trade agreement between Moldova and the Ukraine led to a halt for exports to the Ukraine.

Safer beet transportation by means of truck driver training

Eleven training sessions were held for truck drivers during 2002, of which three were organised by Südzucker in co-operation with the TÜV Academy Regensburg and eight eco-training sessions were organised by the beet logistics department and carried out by the Verkehrsforum Unterfranken. Südzucker subsidised 50 % of the cost of these eco-training sessions in 2002.

The number of participants was considerably higher than expected at Zeitz. Rather than the 60 persons invited, 95 drivers took part in the training. At Ochsenfurt there were two training sessions for drivers of both newly-formed Zeil transportation co-operatives. As this was the first beet campaign for many of these drivers, who had thus only recently passed their truck drivers test, participants showed particular interest.

Training with the TÜV Academy was concentrated on theory, whereas the eco-training was based on practical training, with the accompanying driving instructor demonstrating how to drive with anticipation and economy. This helps protect the environment and raise transport safety.

Reliable agriculture

Operations of the Südzucker agriculture division again delivered positive results due to the excellent sugar beet yield and quality in 2002/03.

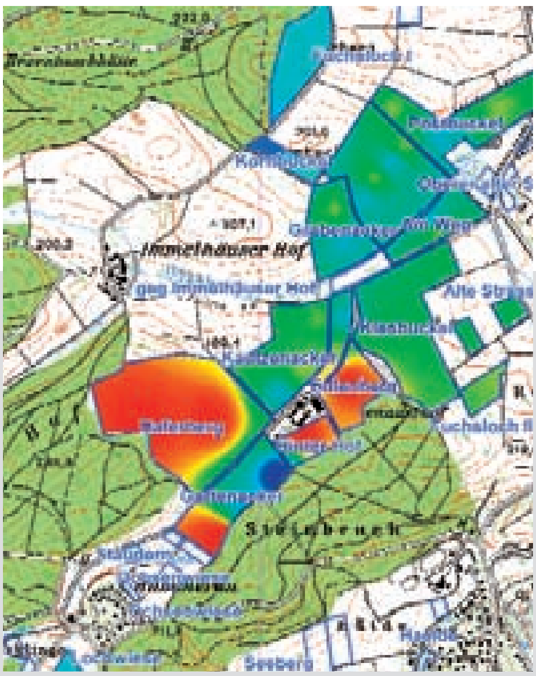
Agricultural research carried out in many areas led to new knowledge, underscoring the reliable performance by agriculture. The main areas of research continued to be soil processing and a selective area of cultivation approach to farming. The findings enable various regions of Europe to implement optimal soil processing and an ideal supply of nutrients to sugar beet, resulting in high yields per hectare and good quality. Use of this know-how at farms in Moldova and Poland as well as in other eastern European countries has been particularly satisfactory.

Südzucker thus makes a significant contribution to a sustained agricultural sector, particularly in these countries, as it can be demonstrated that ecological considerations can indeed be satisfied alongside vital financial objectives in agriculture, and can sometimes even increase yields.

Feedstuffs

Pellets and molasses, sugar processing by-products, could be marketed in line with budget at all group companies.

In Germany, sales volumes of molasses shavings and molasses shaving pellets fell slightly due to lower quantities available, but more financially viable freight distances led to improved yields. Molasses sales volumes continue to shift towards the yeast industry, whose needs are met by high quality molasses. Raffinerie Tirlemontoise and Saint Louis Sucre have also fully achieved their objectives for sales of molasses. AGRANA can show growth in sales volumes of sugar by-products as well. Sales volumes of pellets and molasses were in line with budget. The main customers for molasses from eastern Europe were the yeast and alcohol industries in Poland, Moldova, Romania, the Czech Republic, Slovakia and Hungary.



The geo-referenced soil samples and area measurement technology were further developed. It is now possible to digitalise sites using aerial photography. Together with details of the site (address, site name), this data can be used a number of times for other purposes in EUF soil tests, such as for beet transportation from the field to the factory, and hence yield synergy benefits.

Bodengesundheitsdienst with a new range of tests

BGD Bodengesundheitsdienst GmbH, Mannheim, is a wholly-owned Südzucker subsidiary and carries out services for agriculture. Its services include soil examination and fertilisation advice for all major plant foodstuffs, examination of humus and analyses of organic fertiliser. Furthermore, as part of statutory requirements, nutrient comparisons are carried out as part of the fertilisation ordinance, and potatoes are tested as required by the official potato ordinance.

The main source of revenues is fertilisation advisory services. These are carried out using the EUF soil examination method, which identifies all the major plant nutrients (nitrogen, phosphate, potash, lime, calcium, magnesium, boron and sulphur) from a soil sample and hence determines crop- and site-related fertilisation recommendations.

A study for threadworm based on a DNA test is a new service. This threadworm test was developed in co-operation with the Biological Federal Office, the State Office for Agriculture in Freising and Beet Planters Associations. The threadworm test delivers criteria for steps to be taken to reduce threadworm when planting in affected areas such as, for example, intercropping special crops or varieties.

REKO again records rising revenues

REKO Erdenvertrieb GmbH produces high-quality compost and substrate soil at the Regensburg and Plattling works from vegetation and soil cling on beet delivered to the factories. The favourable weather conditions for growth in the year ended February 28, 2003 led to a further increase in the quantities of vegetation delivered and hence to higher revenues from supplies of vegetation. Due to the partly extreme levels of rainfall in the autumn, quantities sold were slightly down on the previous year, as soil processing was hardly possible during this time. However, this decline in revenues was more than made up by the increase in revenues from receiving vegetation. Due to demand from new landscape gardens and care of domestic gardens it is expected that there will be an increase in demand for compost and substrate soil as the current year progresses.

The soil is the major factor affecting productivity in farming. At field days and info-events, BGD aims to inform farmers and consultancies about optimal care of the soil for sustained productivity using its soil profiles. The physically accessible soil profile brings "the soil to eye level" and succeeds in exciting interest for the topic from farmers and consumers alike. Changes in nitrogen levels, earthworm activity, straw management and soil density can be demonstrated using the soil profile. Beet root growth under varying conditions caused considerable interest.

Le Caramel

Good taste has always been celebrated in la Grande Nation. And what is specially savoured there is the sweet side of life. That sugar can do more than simply trickle, sprinkle or pour is proven by a French speciality: Le Caramel, the ready-to-use caramel sauce by Saint Louis Sucre. It refines sophisticated desserts, giving them a very special touch within seconds. Leaving more time to savour the fabulous taste.


SUCRE !

Overview

The special products segment is made up of the Palatinit, ORAFTI and starch divisions, together with activities of the Portion Pack, Surafti and Freiberger Groups.

Key figures for the special products segment

		2002/03	2001/02*
Sales	€ million	1,025	922
Operating profit	€ million	123	93
Operating margin	%	12.0	10.0
ROCE	%	16.0	12.7
Capital expenditure	€ million	72	76
Investments in financial assets	€ million	14	61

*Without Schöller Holding.

Südzucker Group's starch activities are mainly carried out by AGRANA.

Development of divisions

Palatinit shows progress

Palatinit GmbH, Mannheim, the number one for raw materials for sugar-free confectionery with Isomalt, could extend its market position in 2002/03, although negative currency influences and increased competition caused difficult overall conditions.

Volumes of sales to a stagnating confectionery industry could be increased, as the sensory and physiological properties of Isomalt are precisely in line with the fashion for confectionery which not only promises but also meets the promise of "full taste with no regrets". The high taste qualities of Isomalt-based confectionery compared with traditional products has been confirmed time and time again in blind tests carried out by independent market research institutions world-wide. Many published international consumer studies confirm that, more than ever, healthy teeth, calorie content and diabetes are major topics for consumers and solutions are being sought by consuming "the right" food.

Sales volumes of sugar-free chewing gum pellets and cough drops and breath-freshening confectionery are at a high level, and growth is continuing. Demand is growing rapidly in the sugar-free confectionery sector for products such as caramel cream or strawberry cream. International producers have decided in favour of using Isomalt from Palatinit for these products. There has been further satisfactory growth in sales of sugar-free functional food products containing Isomalt in Asian markets, which tend to be open to traditional, health-inducing ingredients and which make successful use of a modern sugar-free sweetener "made in Germany".

Customer care is applied by using a specific range of services for matters regarding regulatory approval, processing technology and marketing. With the Isomalt product range and an optimised use of Isomalt variants, Palatinit GmbH has stand-alone attributes differentiating it sharply from its competitors. With capital expenditures in research and development together with a further expansion of product capacity, Palatinit GmbH will be able to retain its market leadership in this product segment in future.

ORAFTI strengthens market penetration

The business segments of the ORAFTI Group have developed strongly in 2002/03 and were able to strengthen their market penetration with functional food, textured consumables and specific fluid sweeteners.

The **"active food ingredients"** division (inulin and oligofructose for human and animal nutrients) was again marked by strong sales growth. More than 300 new foodstuffs were introduced with ORAFTI products RAFTILINE® and RAFTILOSE®. Markets in Asia were particularly stimulated by stressing the beneficial pre-biotic effect of products on health. In America and Europe the topics of fibre and improved calcium intake were grounds for success. There is growing interest in using inulin as a fat substitute. This trend is supported by consumer fears about obesity and diabetes, to which producers have reacted by introducing lower-calorie products on the market. A further growth driver is interest in foodstuffs with low carbohydrates, for which inulin and oligofructose are ideal ingredients. ORAFTI was subject to aggressive price competition for inulin products on certain markets.

BENEO®, the communication program, shows further success. Many new products were introduced on the market with the BENEO® label in Belgium and in Switzerland.

Capital expenditures were incurred to increase production capacity at the Oreye works in Belgium, and possible locations for a second production plant are being analysed.

The **"liquid sweeteners"** division profited from higher demand for specially-designed liquid sweeteners. Both sales and profits rose despite price pressures from imported fructose.

Remy Industries, a part of ORAFTI, could more than meet its budget with its rice-based food additives. Sales of special rice-based starch and rice-based flour products are made worldwide. Remy was able to meet customers' heightened hygiene and safety requirements. Synergies planned with the purchase of Remy through co-operation with ORAFTI led to considerable cost reductions and market benefits. Co-operation in the research and development area also lived up to expectations.

Starch grows through innovation

Südzucker Group's starch activities are mainly carried out by AGRANA.

The starch division performed satisfactorily in 2002/03. Despite a market-related decline in prices, revenues rose by 12 % to € 209.9 million (€ 187.5 million), mainly due to entry into new markets and a successful upgrading strategy. Operating profits also continued to improve. In Austria, sales volumes of corn-starch based products increased particularly satisfactorily, with a rise of 17 %. Sales volumes divided into food and non-food applications show an increase in the non-food/technical starch area, although at the expense of lower prices, of almost 27 %, whereas turnover volumes in the food area only rose slightly.

Special products segment

AGRANA has been involved in the biologically-based starch products business for more than 10 years and has recorded double-digit growth rates for this product group over the past few years. Potatoes and maize from biological farms are processed to yield biological starch, biological sweeteners and biological potato products. Customers are drawn from the entire food industry and they use these products primarily for preserving fruit, confectionery, baby food, bakery products and delicatessen products. Already in the fifth year of operations, AGRANA produces food additives made from maize and waxy maize, certified as being free from genetic modification. Hence, AGRANA is one of the largest business-to-business suppliers on the European market in the biological and GM-free sectors.

Portion Pack Europe (PPE) increases sales

Portion Pack Europe Group's turnover rose by more than 30 % in 2002/03, to some € 125 million. 7.5 % of this increase related to internal growth, with the rest coming from the purchase of Portion Pack Landgraf (Holland) and Cocachoc, Belgium. The European-wide group specialises in portion packs for the catering and wholesaler sectors and is increasingly entering niche markets for its various customer groups. PPE expects to continue growing, despite the difficult economic environment.

Surafti

The Surafti Group delivers mainly sugar-based niche products to the processing industry for bakery products. Production is located at six medium-sized operations in four countries. Acquisitions strengthened the nougat activities in France in 2002/03.

Freiberger Group in pole position throughout Europe

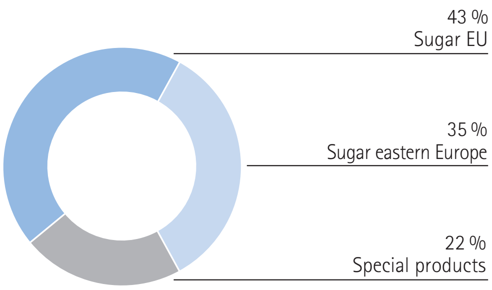
Freiberger Group, allocated to the special products segment, has a leading position in the frozen pizzas and baguettes market throughout Europe. Top-quality products are produced using state-of-the-art technology at production locations in Berlin, Muggensturm, Baden and Oberhofen, Austria. They are mainly offered as individual own-name products designed specifically to meet customer requirements. Freiberger could profit from the continuing upward trend on the German frozen pizza market, particularly with own-name products. Furthermore, entry into other European markets continued to be successful and this has led to satisfactory growth.

As part of our policy of concentrating on our core business activities, Südzucker sold its investment in VK Mühlen AG, Hamburg, held via **AIH Agrar-Industrie-Holding GmbH, Mannheim,** to Leipnik-Lundenburger Invest Beteiligungs AG (LLI), Vienna.

Personnel

Number of employees declines due to disposals
Despite the acquisition of Saint Louis Sucre, the disposal of Schöller Holding, with its large number of staff, led to a sharp decline in the number of employees in the group. On average there were 14,855 persons employed in the group in 2002/03, of which 11,543 were employed in the sugar segment. Mainly as a result of acquisitions, the number of persons in the special products segment rose to 3,312.

Employees by segment



Top-quality training and development
The Südzucker Group believes its future depends on the quality of its employees and in training young people. Once again in 2002/03, the work of our human resources department was concentrated on training and development. This can be demonstrated by the high number of apprenticeships which, for example, was 7 % at AGRANA in Austria and 10 % at Südzucker in Germany. Südzucker has apprentices for 11 different professions within the group, and their good exam results speak for the high level of training quality at Südzucker. The introduction of English as the common corporate language was accompanied by language training and refresher courses which were eagerly taken up by the staff. Business English has been offered as a supplementary qualification in the white-collar apprenticeships for many years. Group-wide trainee programs smooth the way for young, talented people to transfer from apprenticeship to practice and attract qualified new staff to the group. For the same reason, internships are offered at all the group's divisions.

The international deployment of employees as part of their career planning and development has increased since last year. We have thus been able to give highly-qualified management trainees an experience of intercultural life and convey to them an understanding of the Südzucker Group's strategic direction.

Safety at work could again be improved within the group. Parallel to the measures taken in the Südzucker Group, the implementation of an interactive work safety training program and many internal and external training cessions and preventative measure to once again reduce accident numbers were carried out as part of the social dialog between the European sugar industry and employee representatives. The integration of health safety in safety at work has proved to be successful.

Many of the employees affected by the restructuring program in Germany were able to take up jobs at other locations. A number of older employees took advantage of the early retirement program.

We should like to thank all our staff for their interest and hard work over the year. Our special thanks go to the employees of the Löbau works which closed at the end of the 2002 sugar beet campaign. Furthermore, we extend out thanks to members of the works councils for their co-operation and fairness.

Average number of employees during the year	2002/03	2001/02
Sugar	**11,543**	**12,148**
Sugar EU	**6,335**	**6,494**
Südzucker AG and Südzucker GmbH	2,946	3,040
Raffinerie Tirlemontoise (Sugar)	849	930
Saint Louis Sucre	1,673	1,616[1]
AGRANA	903	908
Sugar eastern Europe	**5,208**	**5,654**
Special products segment	**3,312**	**2,886**
Total	**14,855**	**15,034[2]**

[1] 12 months. [2] Excluding Schöller Group.

Capital expenditures

Capital expenditures for tangible and intangible non-current assets in the group amounted to € 207 million (€ 178 million excluding Schöller) in 2002/03. Approximately two-thirds of the capital expenditures related to new products and to expansion and rationalisation measures. Capital expenditures for replacements took up 31 % of the budget, and 3 % was used for purely environmental measures. 65 % of capital expenditures, totaling € 135 million (€ 102 million), related to the sugar segment and 35 %, or € 72 million (€ 77 million excluding Schöller), to the special products segment.

Sugar segment

In the sugar segment, and in connection with the closure of the Delitzsch and Zeil works, steps were taken to stabilise processing capacity and improve warehousing capacity at those **Südzucker AG and Südzucker GmbH** works which took over the beet previously processed at the Delitzsch and Zeil factories. Warehouse capacity in Südzucker GmbH's area of operations was increased by adding a new sugar warehouse at Brottewitz for storing 3,500 tonnes of crystallized sugar and a 20,000 m^3 syrup tank at Zeitz. Some of the plant at the Delitzsch works was transferred to the Brottewitz, Zeitz and Plattling factories. At the Rain factory, a non-stop plant to improve white sugar crystallization started operations and sugar warehousing capacity was improved by extending the high-bay warehouse. Unloading equipment for self-tipping beet vehicles was installed in the beet yards at Ochsenfurt, Wabern and Regensburg. The boiler house automation systems were renewed at the Ochsenfurt, Groß-Gerau and Wabern works and construction of a new conditioning and silo de-dusting plant was completed at the Offstein works.

Vaporization plant at Zeitz.

New central saccharin dissolving plant at the Offstein works.

The largest single capital expenditure at **Raffinerie Tirlemontoise** was the start of operations for a new six-step steam station at the Wanze works. Planned energy savings and syrup quality improvements were achieved. At the Tienen works the viewing station was expanded to meet customer demands relating to crystal fractionation. Capital expenditures at Brugelette were aimed at improving extraction work and the processing control system was renewed at Genappe.

Capital expenditures at **Saint Louis Sucre** were mainly made to meet new French safety regulations.

Capital expenditures at **AGRANA** were primarily invested at its Tulln works in Austria. A betane processing plant improved the molasses sugar extraction process. Beet yard performance was increased by a stone-separating drum, whereas the installation of a combi-packing machine for 500 g and 1 kg packages improved flexibility. Capital expenditures at the Hohenau and Leopoldsdorf works were incurred in the sugar house, with new white sugar centrifuges, heating chambers for boiling plant and cool air ventilators for the sugar drying equipment.

Capital expenditures in **Poland** and **Moldova** served primarily to reduce energy consumption and increase productivity.

Special products segment

In line with the broad range of business activities included in this segment, capital expenditures were divided amongst many of these companies. Capital expenditures mainly served to expand Palatinit and ORAFTI capacity in order to meet the needs of a rapidly growing market. This also applies to capital expenditures in the starch division.

Crystallisation tower at the Rain works.

Revamped rear-pip unloading station at Ochsenfurt.

Südzucker Group's research and development work is concentrated on new products or product variants, optimising production processes and supporting marketing activities. The range of tasks stretches from agricultural production to sugar, sugar-free sweeteners, starch, and inulin product divisions and their related products, through to application technology in the food and non-food areas. This work is carried out by some 200 employees at four group locations.

Südzucker Group's innovative powers are also clearly demonstrated by the number of patents filed. Fifteen new patents were registered in 2002/03 to secure the group's market success in the special products segment. € 25.5 million (€ 22.8 million) was spent on research and development in 2002/03.

Sugar, specialities and special products

The key points in the program were the development of new customer-tailored products for fondants, caramels and icing sugar. In addition to product characteristics, further research projects included potential to enhance health with existing products and new functional carbohydrates.

Use of sugar or other carbohydrates as renewable raw materials in non-food applications, such as hydraulic fluids, is being rigorously researched.

Caramel sugar syrup also as a free-flowing powder

Caramel sugar syrup is produced in Offstein and Ochsenfurt as a golden to deep-brown aromatic syrup for a large number of applications in food products. Over the past few years the product range has been expanded to meet specific customer demand for sweet, aromatic, viscous or highly-coloured syrups. These syrups are used for producing Christmas bakeries, desserts, creams and fillings.

Together with AGRANA, a powder-form, free-flowing, low-dust variety has been developed, which is offered as instant caramel in two products.

New icing sugar

A niche for the Südzucker household range has been filled by a new icing sugar in sifters. The combination of finely-ground sugar and Isomalt, a carbohydrate based on sugar used as an anti-caking additive, makes the product particularly easy to sprinkle and stable when stored. This newly-developed icing sugar is distinguished by its sugar-sensory properties and characteristics enhancing its use for specific applications, thus setting it apart from competing products, most of which contain starch, phosphates or fat.

Improved production control through new analysis technology

Production expansion in the special products segment led to considerably higher demand for analysis. The introduction of a completely new testing procedure, near infra-red spectrometry (NIRS), permits analytical process controls to be cost beneficial as well as all-encompassing. With the help of this technology it is possible to quickly and simultaneously determine a number of different analysis parameters, based on which the appropriate calibration is prepared by the central analysis department. Introduction of this technology in routine analysis has improved production control, as it is possible to carry out more frequent tests without incurring additional costs.

Positive scientific nutritional studies with Isomalt
Various studies have been carried out to determine the physiological properties of Isomalt. In an Australian study of state-of-the-art standard, it was confirmed that Isomalt does not cause an increase of blood glucose and is metabolised almost insulin-independently. The results confirm the special suitability of Isomalt in foods for people with diabetes and related blood glucose regulation disorders.

A further study confirmed that even a high consumption of Isomalt leads to no adverse physiological effects, in contrast to often-mentioned prejudices. On the contrary, it could be confirmed for the first time that Isomalt has a positive effect on gut function. Other data on oral health demonstrated that Isomalt supports the effects of fluoride in slowing demineralisation.

New functional carbohydrates
As part of a project supported by the Federal Ministry of Education and Research (BMBF) aimed at developing new functional carbohydrates for the food industry, many methods for modifications of carbohydrates with different functional capabilities were established under laboratory conditions. In order to examine their health potential, the stomach and intestinal properties of these modified carbohydrates were compared with products already on the market, using biological and microbiological test methods. The tests checked whether these carbohydrates were broken down in the stomach and small intestine. In an in-vitro test, stable substances were subjected to human intestinal flora in order to examine their fermentation properties in the large intestine. As a result, promising substances were identified for potential new ingredients with positive health properties, due to their effects in various parts of the intestine and which, together with their positive application properties, would be useful supplements to existing functional ingredients. Further intensive research and development work is needed before such products can be launched on the market.

Research was also carried out on carbohydrates which can reduce the infection potential of pathological microorganisms by interaction with cell surfaces.

Südzucker co-operates with many German, European and international research institutions in carrying out nutritional research. Following completion of the BMBF-subsidised project, new research agreements were made with partner universities partly in connection with a joint project on foods for a healthy life and disease prevention through nutrition.

Sugar-based hydraulic fluids
A co-operation project was commenced with Fuchs Petrolub AG, Mannheim to develop a bio-degradable hydraulic fluid. So-called sugar esters are produced from sugar and fatty acids, which can be used as a base oil in high-quality hydraulic fluids. Due to its chemical structure the product can be bio-degraded and is therefore an interesting product group for

a number of applications, particularly in the construction, farming and forestry industries.

Product development in the starch division for construction and ceramics

We have succeeded in developing a product line for manufacturing modified starches for dispersion colours. Normally, high-priced cellulose ether is used for dispersion colours. The market launch is foreseen when the new coating line starts operating at Gmünd. This is a new application for modified starches.

Rice ingredients as a new field of development

The integration of Remy Industries, which produces rice-based ingredients such as rice flours, starch and proteins, has substantially strengthened development in the areas of bakeries, cheese and all-vegetable recipes. Furthermore, combined products, incorporating rice starch and inulin, are also being developed for new applications.

Fructane

The fructane research and development activities, including inulin and fructo-oligosaccharide, are located in Belgium. Application tests of two new products, RAFTILOSE®Synergy1 and RAFTILINE®HPX, show considerable technological advantages, including for fat and cheese spreads.

Food additives developed especially for the end-consumer market, covered under the overall title of "Innergy Food", are initially sold in Belgium and include Optimal Inside (RAFTILOSE®Synergy1 in small portion stick), Take 2 (tablets with RAFTILOSE®Synergy1, calcium and orange fibre) and Active Fiber (powder from RAFTILOSE®Synergy1 and orange fibre).

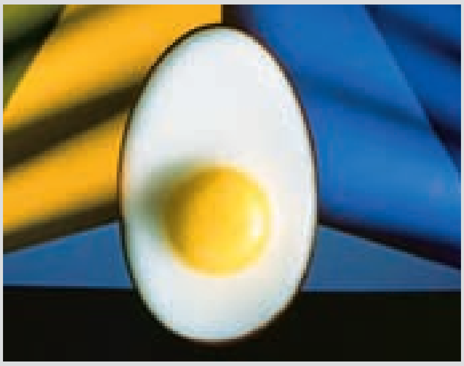
In the nutritional research area, studies are being carried out on the effects of inulin and oligofructose products on bone mineralisation and calcium re-absorption. Further objectives relate to possible protective effects from intestinal cancer, modulation of the immune system, lipid metabolism and overall wellness. As a further step, there have been examinations on the impact of RAFTILOSE®Synergy1 on the overall health of elderly persons. Part of these studies was supported by the EU-subsidised SYNCAN project, co-ordinated by ORAFTI. The database of positive health effects of fructanes was further expanded with these studies.

Development of new fondant products

Fondant comes from the French word "fondre" which means "melt" and thus demonstrates the prime quality characteristic of the product: microscopic crystals for gentle melting. Snow-white fondant is produced from refined sugar and glucose syrup, a sugar base making work considerably easier for the user, as it can be processed to form attractive glazes in little time.

For production, a hot, supersaturated solution is stirred and intensively mixed under rapid cooling, so forming a large number of fine saccharine crystals. This process is known as tabling, referring to the traditional method of making fondant with a spatula on a cooled marble slab. Today, tabling is carried out continuously on turntables under pre-defined conditions, guaranteeing constant good quality.

New fondant developments extend our product range.



Fondants and glazes from Südzucker meet all the requirements for sweetening, decorating, filling and preserving bakery products. Due to their fine crystallised structure, the confectionery industry also often uses them for fondant confectionery, chocolate bar fillings, soft caramels and chewing pellets.

Various mixing techniques for different fondant additives, such as cocoa, fat, aroma and colours, are used in production at Ochsenfurt, Oostkamp and Edinburgh. A number of new developments, using individual recipes and optimisation of production processes, has expanded the product range over the past years. Above all, for the constantly growing market for industrial ready-made bakery products, glazes with optimal processing and storage qualities and of high quality are developed to meet specific customer requirements.

Corporate governance

Good corporate governance makes a major contribution to the success of a company. Südzucker thus welcomes the recommendations set out in the German corporate governance code and has accordingly resolved to follow its recommendations and implement them where necessary. An appropriate declaration of compliance was made as at the end of 2002 in accordance with § 161 Stock Corporation Law.

At Südzucker, co-operation between the supervisory board, executive board and shareholders has traditionally been marked by transparency and responsibility. The corporate objective followed by the executive board and supervisory board of achieving a responsible and sustained value added is a significant part of corporate governance and by means of which we hope to nurture the trust of our shareholders, financial markets and our business associates and employees.

In order to implement the German corporate governance code the procedural rules for the executive board and supervisory board were adjusted to meet the code and, within the group, the internal rules and procedures for the executive board, supervisory board and annual general meeting were reviewed for transparency, for accounting policies and annual audit. Any changes required to the company's by-laws will be put to the annual general meeting for resolution.

In addition to statutory requirements, these changes are based on the code resolved by the government commission itself. As we believe that the standards set out herein represent good and responsible corporate management practice and are practical, we see no reasons for preparing our own corporate rules and regulations.

An audit committee has been established in addition to the existing management, mediation, social and agricultural supervisory board committees.

Risks for future developments

Südzucker has developed and implemented an integrated system for the timely identification and monitoring of specific risks for the group. The objective is the timely identification and quantification of risks related to corporate activities. On this basis, strategic and operating opportunities can be extensively analysed and optimised.

Risk management system of the Südzucker Group
Südzucker's risk management system is based on risk controlling at operating level and on strategic controlling of investments, an internal control system which is the responsibility of the group internal audit department and an early warning system to determine risks endangering the existence of the group as a going concern.

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

Investment controlling also supervises the setting of business objectives and monitors group companies by using uniform key ratios. It evaluates the investment portfolio with the aim of optimising the investment structure and provides assistance with acquisitions.

Operating risk controlling is implemented by the operating controlling department. The executive board is continuously kept informed via an extensive reporting system and, if relevant, by ad hoc reports.

Internal control system/internal audit
The group's internal audit department carries out its control functions at group companies and reports directly to the executive board. It checks and evaluates the security, financial viability and correctness of business processes, together with the effectiveness of the internal control system in the corporate area.

Early warning system to determine risks endangering the company as a going concern
The possible effects of international and national trade agreements and market regulations are already analysed at an early stage and incorporated as part of the risk management system.

Südzucker is subject to market risks arising from changes in foreign exchange rates, interest rates and equity prices. Treasury and foreign currency management follow detailed guidelines. Foreign currency and interest rate derivatives are recorded timely and completely at group level and are subject to a continuous monthly valuation process.

Standards have been developed to monitor risks arising from products produced and sold by the Südzucker Group, which are constantly checked by means of continuous controls. These measures are made mainly as part of the quality control program.

The integration of quality management, safety at work and environmental management establishes optimal conditions for timely risk determination and for implementing steps to minimise risk.

Based on current reports by the internal risk management working group and in its own estimation, the executive board has determined no matters which could endanger the group's existence as a going concern.

Wiener Streuzucker

…yet the right sugar turns any dish into a divine delicacy! With Viennese castor sugar for warm and cold pastries, cakes, desserts and fruit, AGRANA offers a specially fine sugar that trickles nicely, does not get lumpy and will melt only on your tongue. And since Viennese castor sugar should no longer be missing from any table, it is available in a decorative, refillable glass shaker.


Ohne Zucker
alles Schmarren…

Balance sheet
at February 28, 2003 (€ million)

ASSETS

	Note	28.02.2003	28.02.2002
Intangible assets		1,271.4	1,294.4
Tangible assets		1,607.4	1,588.2
Financial assets		357.9	420.2
Non-current assets	1.1	**3,236.7**	**3,302.8**
Inventories	1.2	1,557.6	1,508.1
Receivables and other assets	1.3	592.4	596.1
Securities and cash	1.4	427.5	428.9
Current assets		**2,577.6**	**2,533.1**
Deferred tax assets		**11.4**	**7.4**
Total assets		**5,825.7**	**5,843.3**

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	28.02.2003	28.02.2002
Subscribed capital of Südzucker AG		174.8	174.8
Capital reserves of Südzucker AG		938.3	938.3
Revenue reserves	1.5	712.1	529.4
		1,825.2	*1,642.5*
Minority interests	1.5	395.8	367.4
Shareholders' equity	1.5	**2,221.0**	**2,009.9**
Provision for pensions	1.6	369.1	366.2
Deferred tax liabilities		342.7	393.9
Other provisions and accrued liabilities		607.0	675.9
Total provisions and accrued liabilities	1.7	**1,318.8**	**1,436.0**
Financial liabilities	1.8	**1,435.7**	**1,570.9**
Other liabilities	1.8	**850.2**	**826.5**
Total liabilities and shareholders' equity		**5,825.7**	**5,843.3**

Statement of income

for the period from March 1, 2002 through February 28, 2003 (€ million)

	Note	01.03.2002 –28.02.2003	01.03.2001 –28.02.2002
Sales	2.1	**4,383.8**	**4,776.1**
Change in work in process and finished goods inventories and internal costs capitalised	2.2	24.9	(74.5)
Other operating income	2.3	129.9	150.3
Cost of materials	2.4	(2,702.1)	(2,595.3)
Personnel expenses	2.5	(526.0)	(684.3)
Depreciation (excluding goodwill)	2.6	(189.2)	(220.2)
Other operating expenses	2.7	(601.1)	(887.0)
Operating profit		**520.3**	**465.1**
Restructuring costs and other items	2.8	(33.0)	(3.1)
Amortisation of goodwill	2.9	(72.5)	(29.9)
Income from ordinary operating activities		**414.8**	**432.1**
Financial expense, net	2.10	(41.1)	(44.2)
Earnings before income taxes		**373.7**	**387.9**
Taxes on income	2.11	(58.3)	(106.8)
Net earnings for the year		**315.4**	**281.1**
Minority interests' share of net earnings		(56.0)	(49.2)
Net earnings for the year after minority interests		**259.4**	**231.9**
Earnings per share (€/share)		**1.52**	**1.45**

Statement of cash flows

for the period from March 1, 2002 through February 28, 2003 (€ million)

	2002/03	2001/02
Net earnings for the year	315.4	281.1
Depreciation of non-current assets	264.6	463.2
Write-ups of non-current assets	(3.5)	(5.4)
Decrease in medium-term and long-term provisions and accruals	(7.6)	(33.6)
Other expenses not using cash/ gain on disposals of financial assets	11.3	(154.3)
Gross cash flow from operating activities	**580.2**	**551.0**
Gain on disposals of items included in non-current assets	(54.5)	(9.4)
Increase (decrease) in short-term provisions and accruals	(117.9)	134.6
Increase in inventories, receivables and other assets	(6.2)	(42.4)
Decrease (increase) in liabilities (excluding financial liabilities)	6.9	(224.0)
Net cash flow from operating activities	**408.5**	**409.8**
Cash received on disposals of items included in non-current assets	136.3	456.4
Capital expenditures:		
Tangible and intangible non-current assets	(206.5)	(218.8)
Financial assets, including acquisitions of consolidated subsidiaries	(45.8)	(1,670.5)
Cash included in acquisitions	(44.3)	(56.9)
Net cash flow from investing activities	**(160.3)**	**(1,489.8)**
Net cash flow from operating activities and from investing activities	**248.2**	**(1,080.0)**
Capital increases	0.0	549.4
Dividends paid	(119.8)	(233.1)
Treasury shares acquired and re-issued	0.0	500.0
Bonds issued	19.4	(3.3)
Receipt/repayment of financial liabilities	(147.5)	120.5
Cash flow from financing activities	**(247.9)**	**933.5**
Change in cash and cash equivalents	0.3	(146.5)
Effect of exchange rate changes on cash and cash equivalents	(1.7)	0.8
Cash and cash equivalents at the beginning of the year	428.9	574.6
Cash and cash equivalents at the end of the year	**427.5**	**428.9**
of which: Cash	206.6	303.9
Other securities	220.9	125.0

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

	Balance at 01.03.2002	Net earnings for the year	Dis- tributions	Capital increases	Exchange rate changes	Other changes	Balance at 28.02.2003
Subscribed capital of Südzucker AG	**174.8**						**174.8**
Capital reserves of Südzucker AG	**938.3**						**938.3**
Revenue reserves	**529.4**	259.4	(81.4)	0.0		11.7	**712.1**
Revenue reserves	**534.0**	259.4	(81.4)			18.4	**730.4**
Fair value reserve	**(1.3)**					(6.7)	**(8.0)**
Accumulated foreign currency translation differences	**(3.3)**				(7.0)	0.0	**(10.3)**
Minority interests	**367.4**	56.0	(38.5)		(4.7)	15.6	**395.8**
	2,009.9	315.4	119.9	0.0	(11.7)	27.3	**2,221.0**

	Balance at 01.03.2001	Net earnings for the year	Dis- tributions	Capital increases	Exchange rate changes	Other changes	Balance at 28.02.2002
Subscribed capital of Südzucker AG	**143.0**			31.8			**174.8**
Capital reserves of Südzucker AG	**588.7**			349.6			**938.3**
Revenue reserves	**629.7**	231.9	(191,2)	0.0	17.5	(158.5)	**529.4**
Revenue reserves	**495.7**	231.9	(191,2)			(2.4)	**534.0**
Fair value reserve	**154.8**					(156.1)	**(1.3)**
Accumulated foreign currency translation differences	**(20.8)**				17.5		**(3.3)**
Minority interests	**341.6**	49.2	(41,9)	168.0	10.2	(159.7)	**367.4**
	1,703.0	281.1	(233,1)	549.4	27.7	(318.2)	**2,009.9**

Statement of movements in non-current assets

(€ million)

	Gross acquisition or production cost					
	Balance at 01.03.2002	Change in companies incl. in the consolidation/ Currency translation/ Other changes	Additions	Transfers	Disposals	Balance at 28.02.2003
Intangible assets						
Concessions, industrial and similar rights	87.0	0.0	1.6	0.1	4.1	84.6
Goodwill	1,556.0	51.5	2.6	0.0	0.0	1,610.1
On-account payments on intangible assets	0.1	0.0	0.1	(0.1)	0.0	0.1
Total intangible assets	**1,643.1**	**51.5**	**4.3**	**0.0**	**4.1**	**1,694.8**
Tangible assets						
Land, land rights and buildings including buildings on leased land	1,112.3	32.6	28.4	1.9	18.2	1.157.0
Technical equipment and machinery	3,142.3	18.1	133.5	20.1	136.0	3.178.0
Other equipment, factory and office equipement	224.2	1.4	17.2	0.2	18.9	224.1
On-account payments and assets under construction	30.3	0.0	23.2	(22.2)	6.1	25.2
Total tangible assets	**4,509.1**	**52.1**	**202.3**	**0.0**	**179.2**	**4,584.3**
Financial assets						
Shares in affiliated companies	5.6	2.5	0.2	0.0	4.7	3.6
Loans to affiliated companies	6.2	0.0	0.0	0.0	3.3	2.9
Investments in associated companies	357.6	(61.9)	34.1	(10.1)	23.0	296.7
Other investments	63.3	33.4	4.2	10.1	18.3	92.7
Loans to participating interests	3.7	0.0	0.6	0.0	0.1	4.2
Securities in financial assets	23.8	(0.7)	12.7	0.0	1.7	34.1
Other loans	2.0	0.1	0.3	0.0	0.6	1.8
Total financial assets	**462.2**	**(26.6)**	**52.1**	**0.0**	**51.7**	**436.0**
Total non-current assets of Südzucker Group	**6,614.4**	**77.0**	**258.7**	**0.0**	**235.0**	**6,715.1**

Depreciation							Net book value	
Balance at 01.03.2002	Change in companies incl. in the consolidation/ Currency translation/ Other changes	Depreciation for the year	Transfers	Disposals	Write-ups	Balance at 28.02.2003	Balance at 28.02.2003	Balance at 28.02.2002
70.5	0.0	5.4	0.0	3.9	0.0	72.0	12.6	16.5
278.2	0.7	72.5	0.0	0.0	0.0	351.4	1,258.7	1,277.8
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
348.7	**0.7**	**77.9**	**0.0**	**3.9**	**0.0**	**423.4**	**1,271.4**	**1,294.4**
497.9	20.4	30.0	0.0	14.3	0.0	534.0	623.0	614.4
2,252.6	14.3	136.3	0.4	129.4	1.9	2,272.3	905.7	889.7
169.4	1.3	17.3	0.0	17.7	0.1	170.2	53.9	54.8
1.0	0.0	0.1	(0.4)	0.3	0.0	0.4	24.8	29.3
2,920.9	**36.0**	**183.7**	**0.0**	**161.7**	**2.0**	**2,976.9**	**1,607.4**	**1,588.2**
3.9	0.0	0.0	0.0	1.4	0.0	2.5	1.1	1.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	6.2
14.6	41.3	2.0	(4.9)	0.0	0.0	53.0	243.7	343.0
18.4	0.0	0.5	4.9	5.2	1.5	17.1	75.6	44.9
3.6	0.0	0.0	0.0	0.0	0.0	3.6	0.6	0.1
1.5	0.0	0.4	0.0	0.1	0.0	1.8	32.3	22.3
0.0	0.0	0.1	0.0	0.0	0.0	0.1	1.7	2.0
42.0	**41.3**	**3.0**	**0.0**	**6.7**	**1.5**	**78.1**	**357.9**	**420.2**
3,311.6	**78.0**	**264.6**	**0.0**	**172.3**	**3.5**	**3,478.4**	**3,236.7**	**3,302.8**

Notes to the consolidated financial statements

I. Principles of preparation

The consolidated financial statements for 2002/03 of Südzucker AG and its subsidiaries have been prepared in accordance with those standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standing Interpretation Committee (SIC) in force at February 28, 2003. 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 German 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 (e.g. maintenance provisions) as set out in IAS 37.

- Requirement to recognise unrealised foreign currency gains as set out in IAS 21.

- Requirement to recognise deferred income taxes using the liability method as set out in IAS 12.

- Requirement to recognise certain financial instruments at fair values as set out in IAS 39.

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.

II. Consolidation principles

1. Companies included in consolidation

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. 117 companies (2001/02: 115) were included in the consolidated financial statements for the year ended February 28, 2003. 6 companies have been included in the consolidated financial statements for the first time. 3 companies were merged in 2002/03 and one company is no longer part of the group.

The shareholdings in AGRANA Beteiligungs-AG, Vienna, held by Südzucker AG and by its Austrian group of shareholders by way of Zuckerbeteiligungs-GmbH, Vienna, each of which hold 43.2 %, were transferred to the newly-formed Z & S Zucker und Stärke Holding AG, Vienna.

Following further purchases of shares in Cukrownia Ropczyce S.A., Poland, the holding exceeded 50 % and this company was fully consolidated for the first time.

Raffinerie Tirlemontoise S.A. sold Compagnie de Réassurance R.T. S.A., Luxembourg, an insurance company acting solely for the group.

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

	2002/03	
	First-time consolidated companies	De-consolidated companies
	€ million	
Non-current assets	26.8	–
Current assets	59.0	51.7
Total assets	**85.8**	**51.7**
Shareholders' equity	40.9	31.8
Provisions and liabilities	44.9	19.9
Total liabilities and equity	**85.8**	**51.7**
Sales	**62.1**	**–**
Earnings for the year	**6.4**	**3.7**

The previous year's consolidated financial statements included the results of operations of the Schöller Group for the nine months from January 1 through September 30, 2001 before its disposal, including sales of € 1,096.1 million and an operating profit of € 44.4 million. SLS Group's results of operations were included in the previous year's consolidated financial statements for the two months from January 1 through February 28, 2002, with sales of € 129.0 million, compared with sales of € 903.1 million for the whole of 2002/03.

Proportionate consolidation was used to include HUNGRANA Kft., Szabadegyhaza, Hungary (in which AGRANA Zucker und Stärke AG, Vienna has a 50 % holding) and AIH Agrar-Industrie-Holding GmbH, Mannheim (in which Südzucker AG, Mannheim/Ochsenfurt has a 50 % holding).

The consolidated financial statements include non-current assets of € 19.4 million, current assets of € 28.8 million, shareholders' equity of € 29.0 million and provisions and liabilities of € 18.7 million from the proportionate consolidation. The consolidated statement of income includes sales of € 69.2 million and profits for the year of € 22.7 million from the proportionately consolidated companies.

The *equity method* was used for 5 (8) companies. Due to their overall insignificance or the lack of significant influence to participate in the financial and operating policy decisions of the investees as set out in IAS 28, 17 investments 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, under which acquisition cost is set off against the relevant share of the subsidiary company's equity at the time of acquisition. Any difference has been allocated to assets insofar as their 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 its probable useful life of 20 years as set out in IAS 22. Investments in non-consolidated affiliated companies are stated at acquisition cost. Investments in associated companies are included in the consolidated financial statements using the equity method (purchase method) as from their date of their 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 intercompany transfers are eliminated.

During 2002/03 the financial year-ends of those companies located in eastern Europe and which were included in the consolidated financial statements as set out in IAS 27 with financial year-ends (December 31) differing from the Südzucker AG financial year-end (February 28), were changed to February 28. They were included with financial statements covering fourteen months (January 1, 2002 through February 28, 2003).

III. Foreign currency translation

As set out in IAS 21, 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 concept). Hence, non-current assets, other 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.

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

Country		Year-end rate		Average rate	
		28.02.2003	28.02.2002	2002/03	2001/02
		Local currency			
Great Britain	GBP	0.6823	0.6105	0.6370	0.6186
Moldova	MDL	15.3159	11.5337	13.2743	11.4693
Poland	PLN	4.2287	3.5068	3.9003	3.6795
Singapore	SGD	1.8738	1.5875	1.7331	1.6035
Slovakia	SKK	41.8901	42.7600	42.5728	43.2739
The Czech Republic	CZK	31.7700	31.9900	30.9062	34.0429
Hungary	HUF	243.7550	245.9553	242.9284	256.7440
USA	USD	1.0798	0.8653	0.9771	0.8868

Differences arising from translating assets and liabilities at year-end rates compared with rates ruling at the end of the previous year, together with differences between earnings for the year translated at average rates in the income statement and at year-end rates in the balance sheet, are charged or credited directly to reserves. The effect in 2002/03 was to decrease non-current assets by € 9.8 million and shareholders' equity by € 11.7 million.

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

IV. Accounting policies

Where there are alternative accounting policies available in a specific IAS, Südzucker always uses the benchmark treatment.

Acquired goodwill is recognised and amortised straight line. As set out in IAS 22, 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. State subsidies and grants are deducted from the acquisition cost. Production cost of internally-constructed equipment includes the cost of production materials, production wages and an appropriate share of overheads; third-party borrowing costs relating to the production are not included. 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 as set out in IAS 36 when the value in use of an asset falls below its book value. 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. Investments in associated companies, unless insignificant, are included using the equity method.

The valuation of other investments, securities and loans depends on their classification as held to maturity or available for sale. Financial assets which are held to maturity are stated at amortised acquisition cost. Assets which are classified as available for sale are stated in the balance sheet at fair value, and any unrealised gains and losses are credited or charged direct to the fair value reserve in shareholders' equity, net of any deferred taxes.

Inventories are stated at acquisition or production cost using average cost or the first-in, first-out method. As set out in IAS 2, 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.

Securities in current assets include securities classified as available for sale and are stated at fair value. Until realised, any resulting unrealised gains and losses are credited or charged direct to the fair value reserve in shareholders' equity, net of deferred taxes.

Cash and cash equivalents are included at nominal value.

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

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

The other provisions cover all discernible risks and uncertain obligations and are stated at their probable amount.

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 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.

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.

Research and development expenses are charged to the income statement in the period in which they are incurred. Development costs for new products are not recognised as intangible assets, as future economic benefit can only be proven once the products have been brought to market.

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 € 206.5 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 in non-current assets.

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

Intangible assets

Intangible assets include in particular goodwill arising on first-time consolidation, recognised as set out in IAS 22. This item also includes acquired EDP software and industrial and similar rights. € 941.5 million of the goodwill relates to the SLS Group.

As set out in IAS 22.71, subsequent adjustments were made to the acquired assets and liabilities of SLS, as a result of which the original goodwill attributed to the acquisition of SLS Group was increased by € 42.4 million.

Tangible non-current assets

Additions (investments) to *tangible assets* (including intangible assets) are as follows:

	2002/03	2001/02
	€ million	
Segment		
Sugar	134.6	102.3
Special products	71.9	75.7
Total	**206.5**	**178.0**

The increase in capital expenditures in the sugar segment is primarily due to the first-time complete inclusion of the French SLS Group. The previous year's capital expenditures for the special products segment have been adjusted to eliminate the Schöller Group.

Financial assets

A list of all shareholdings per § 313 para. 4 HGB has been filed with the commercial register of the district court of Mannheim.

1.2 Inventories

February 28	2003	2002
	€ million	
Raw materials and supplies	121.0	114.0
Work in process	398.0	296.5
Finished goods and merchandise	1,038.5	1,097.4
On-account payments	0.1	0.2
	1,557.6	**1,508.1**

The book value of inventories measured at net realisable value is € 84.1 million (€ 56.7 million).

1.3 Receivables and other assets

February 28	2003	2002
	€ million	
Trade receivables	369.1	359.5
Receivables from affiliated companies	1.1	3.2
Receivables from participating interests	7.6	8.8
Other assets	214.7	224.6
[of which for taxes]	[72.9]	[78.8]
[of which with a remaining term of more than one year]	[4.5]	[1.6]
	592.4	**596.1**

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

Other assets mainly include receivables from public institutions and other receivables.

1.4 Securities and cash

February 28	2003	2002
	€ million	
Other securities	220.9	125.0
Cash	206.6	303.9
	427.5	**428.9**

Other securities consist of short-term bonds and debentures, equities and fund certificates and are readily marketable.

Amongst others, the balance of liquid funds is available to settle the liabilities of beet farmers due in March and April 2003.

1.5 Shareholders' equity

The subscribed capital of Südzucker AG is divided into 174,787,946 shares, each share having an imputed proportion of the share capital of € 1.00. At February 28, 2003 there was an authorised capital of € 9,220,374.00. Hence, the executive board is entitled, with the approval of the supervisory board, to increase the share capital and reserves of the company by up to € 18,644,488 until June 30, 2006 in one or more tranches, through the issue of new bearer shares of no par value for cash.

AGRANA Beteiligungs-AG sold its portfolio of 1,526,457 Südzucker AG shares for a price of € 15 per share.
On February 28, 2003 this company still held 2,922,400 Südzucker AG shares for its own account.

The net decrease in fair value reserve of € 6.7 million relates to an increase of € 2.0 million in the fair values of investments and securities, and a decrease of € 8.7 million in the fair values of cash flow hedges. A statement of movements in shareholders' equity is set out on page 61.

1.6 Provision for pensions

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 projected unit credit method and estimated future trends in accordance with IAS 19.

A discount rate of 5.5 % was used for the pension plans of domestic companies (between 5.0 % and 5.75 % for foreign companies).

An expected annual increase of between 2.5 % and 3.0 % in remuneration and an increase of 1.9 % to 2.0 % in pensions has been assumed for domestic and foreign companies.

Pension expense is made up as follows:

	2002/03	2001/02
	€ million	
Current service cost	6.8	5.8
Interest cost	21.0	19.4
	27.8	**25.2**

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

February 28	2003	2002
	€ million	
Defined benefit obligation for direct pension benefits	409.0	382.9
Unamortized actuarial gains and losses	(38.7)	(16.7)
Fair value of plan assets	(1.2)	–
Provision for pensions	369.1	366.2

Movements in the provision for direct benefit obligations were as follows:

	2002/03	2001/02
	€ million	
Provision at March 1	**366.2**	**358,3**
Change in companies consolidated	–	4.1
Amounts charged to expense	27.8	25.2
Contributions to fund assets	(1.3)	–
Pension payments during the period	(23.6)	(21.4)
Provision at February 28	**369.1**	**366.2**

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

1.7 Movements in provisions and accrued liabilities

€ million	01.03.2002	Change in companies consolidated	Additions	Use	Release	28.02.2003
Provision for pensions	**366.2**	0.0	26.5	23.6	0.0	**369.1**
Deferred tax liabilities	**393.9**	(25.8)	24.2	42.6	7.0	**342.7**
Other provisions and accrued liabilities						
Taxliabilities	**155.2**	(12.7)	43.7	49.0	27.8	**109.4**
EU levies for financing the sugar market ordinance	**210.0**	0.0	69.4	155.9	1.0	**122.5**
Personnel expenses	**122.1**	1.3	54.3	53.1	3.4	**121.2**
Other provisions	**188.6**	42.3	103.3	29.0	51.3	**253.9**
Total other provisions and accrued liabilities	**675.9**	**30.9**	**270.7**	**287.0**	**83.5**	**607.0**
Total provisions and accrued liabilities	**1,436.0**	**5.1**	**321.4**	**353.2**	**90.5**	**1,318.8**

€ 207.1 million (€ 133.8 million) of the other provisions and accrued liabilities are long term.

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

Provisions for other uncertain liabilities include amounts relating to participation in the Fresenius share price movement, the fair values of financial instruments, re-cultivation obligations, waste water charges and other environmental obligations. The total changes of fair values of financial liabilities recognised in the statement of income amounts to a loss of € 69.9 million.

1.8 Due dates of financial liabilities and other liabilities

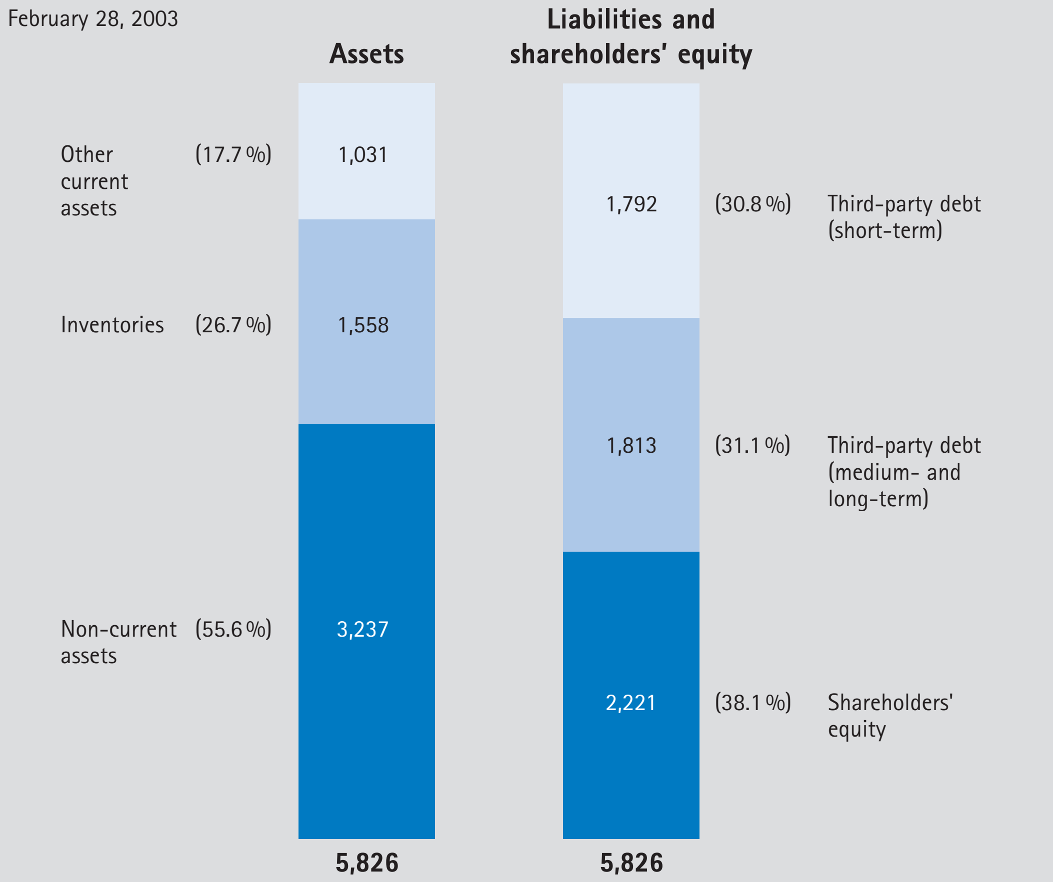
	28.02.2003	of which remaining term up to 1 year	1 to 5 years	over 5 years	28.02.2002	of which remaining term up to 1 year	1 to 5 years	over 5 years
	€ million							
Bonds	**1,071.4**	254.4	0.0	817.0	**1,033.8**	220.0	–	813.8
[of which convertible]	**[17.0]**	[–]	[–]	[17.0]	**[13.7]**	[-]	[-]	[13.7]
Liabilities to banks	**363.9**	292.6	67.4	3.9	**536.9**	323.4	203.0	10.5
Bills payable	**0.4**	0.4	–	–	**0.2**	0.2	-	-
Financial liabilities	**1,435.7**	**547.3**	**67.4**	**820.9**	**1,570.9**	**543.6**	**203.0**	**824.3**
On-account payments received on orders	**7.4**	7.4	0.0		**15.3**	15.2	0.1	-
Trade accounts payable	**671.7**	671.4	0.2	0.1	**607.8**	607.6	0.1	0.1
Accounts payable to affiliated companies	**3.5**	3.5	0.0	0.0	**3.4**	3.4	-	-
Accounts payable to participating interests	**18.6**	18.6	0.0	0.0	**13.7**	13.7	-	-
Other liabilities	**149.0**	143.3	3.9	1.7	**186.3**	179.3	4.9	2.1
[of which for taxes]	**[17.2]**	[17.0]	[0.2]	[0.0]	**[18.8]**	[18.3]	[0.4]	(0.1)
[of which for social security]	**[24.5]**	[24.5]	[0.0]	[0.0]	**[23.9]**	[23.8]	[-]	[0.1]
Other liabilities	**850.2**	844.3	4.1	1.8	**826.5**	819.2	5.1	2.2
Total liabilities	**2,285.9**	1,391.6	71.5	822.8	**2,397.5**	1,362.8	208.1	826.5

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

Liabilities to banks of € 37.6 million were secured by real estate mortgages and of € 37.4 million by other collateral pledges at February 28, 2003.

Trade accounts payable include amounts due to beet farmers totalling € 445.2 million (€ 414.9 million).

Balance sheet structure (€ million)



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 market channels (normal market 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 group financing company, to issue short-term bonds and debentures as the need arises and when market conditions are suitable.

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	Book value
				€ million
Bonds	to 9 years	5.75 %, 6.25 %	5.9 %	816.9
Commercial paper	to 1 year	2.67 %–2.95 %	2.81 %	254.5
Liabilities to banks	to 18 years	2.86 %–7.12 %	4.54 %	363.9
Bills payable	to 1 year	–	–	0.4
Total			**5.01 %**	**1,435.7**

Book values of financial liabilities are the same as their repayment amount.

For commercial paper, liabilities to banks and bills payable, book values are the same as their fair values. The fair value of bonds is their market value at the end of the year, and amounts to € 893.8 million. All the bonds are fixed-interest, as well as € 62.0 million of the liabilities to banks.

1.10 Derivative instruments

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

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

Foreign currency change risk which can primarily arise from sales of sugar on the world market in US dollars and from payment obligations in foreign currencies.

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 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 set limits based on underlying business volumes, define authorisation procedures, prohibit the use of derivative instruments for speculative purposes, minimise credit risks and determine the content of internal reporting and segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines and the correct processing and valuation of transactions, and adherence to segregation of duties.

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

€ million	Nominal volume		Fair value		Credit risk	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
Interest rate hedges	1,061.9	1,086.6	(90.6)	(57.6)	–	0.0
Currency hedges	54.1	143.8	2.2	(0.8)	3.0	1.3
Product price hedges	37.6	14.1	(4.1)	(0.1)	0.3	0.2
Total	1,153.6	1,244.5	(92.5)	(58.5)	3.3	1.5

Maturities of the currency derivatives and product derivatives are less than one year, and of the interest rate derivatives are between one and five years.

The *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 the related price or interest-rate change.

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

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

Changes in values of derivative transactions carried out to hedge future cash flows (cash flow hedges) are initially recorded direct to a special reserve in shareholders' equity and are only subsequently recorded in the income statement when the cash flow occurs. Their fair values at February 28, 2003 totalled a negative € 27.4 million. Changes in the fair values of interest rate derivatives originally used to hedge loans which have been repaid early are recorded direct to the statement of income.

1.11 Contingent liabilities and other financial commitments

February 28	2003	2002
	€ million	
Discounted bills	0.1	0.1
Guarantees and letters of comfort	3.1	13.1
Warranty commitments	1.6	2.5
Total of lease payments up to 1 year	0.8	1.6
Total of lease payments of 1 to 5 years	1.4	2.0
Total of lease payments over 5 years	0.0	0.2
Purchase order commitments for non-current assets	58.0	64.5

2. Notes to the statement of income

2.1 Sales

Details of the sales of € 4,383.8 million (€ 4,776.1 million) are set out under VII. segment reporting.

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

	2002/03	2001/02
	€ million	
Change in work in process and finished good inventories	21.0	(78.0)
Internal costs capitalised	3.9	3.5
	24.9	**(74.5)**

2.3 Other operating income

	2002/03	2001/02
	€ million	
Income from disposals of non-current and current assets and from write-ups	16.1	15.7
Income from storage cost credits	6.7	21.3
Foreign exchange and currency translation gains	8.4	18.7
Other income	98.7	94.6
	129.9	**150.3**

Other income is mainly made up of income from the release of provisions and accrued liabilities, from costs re-charged, rental and lease income, and royalty income.

2.4 Cost of materials

	2002/03	2001/02
	€ million	
Cost of raw materials, consumables and supplies and of purchased merchandise	2,523.2	2,451.9
Cost of purchased services	178.9	143.4
	2,702.1	**2,595.3**

2.5 Personnel expenses

	2002/03	2001/02
	€ million	
Wages und salaries	407.3	542.5
Social security, pension and welfare expenses	118.7	141.8
	526.0	**684.3**

Average number of employees during the year

	2002/03	2001/02
Divided by group		
Wage earners	9,677	12,549
Salaried staff	4,797	10,659
Trainees	381	430
	14,855	**23,638**
Divided by geographic area		
Germany	4,058	9,503
Other EU countries	5,180	5,845
Eastern Europe	5,609	8,018
Other foreign countries	8	272
	14,855	**23,638**

The comparable number of employees for the previous year, adjusted to eliminate the Schöller Group, was 15,034.

2.6 Depreciation

	2002/03	2001/02
	€ million	
Scheduled depreciation		
Intangible assets (excluding goodwill)	5.4	9.9
Tangible assets	182.7	206.9
	188.1	**216.8**
Impairment write-downs		
Tangible assets	1.1	3.4
	189.2	**220.2**

Of the total impairment write-downs of € 1.1 million, € 0.9 million relates to the sugar segment and € 0.2 million to the special products segment.

2.7 Other operating expenses

	2002/03	2001/02
	€ million	
Production and supplementary levies	59.4	79.0
Storage cost levy	0.0	24.9
Losses on disposals of non-current assets and current assets	7.0	6.6
Foreign currency and translation losses	10.7	17.3
Rental and leasing expenses	25.6	60.3
Other expenses	498.4	698.9
	601.1	**887.0**

Other expenses are made up primarily of selling and administration costs. The decrease compared with the previous year is primarily due to the lack of selling and administrative expenses for the Schöller Group, which were included in the amounts for 2001/02.

2.8 Restructuring costs and other items

The net expense from restructuring costs and exceptional items of € 33.0 million (€ 3.1 million) is made up of expenses for a provision relating to the sale in 2001/02 of the shareholding in AW-Fresenius, needed as a result of the fall in the Fresenius AG share price, and fair value changes in interest-rate derivatives. These expenses were partly offset by gains on the disposal of shares in KWS Saat AG , Veurne and RT Réassurance.

2.9 Amortisation of goodwill

The increase in regular amortisation of goodwill to € 72.5 million (€ 29.9 million) was mainly due to the inclusion of SLS Group, acquired in 2001/02, for the full year (two months in 2001/02).

2.10 Financial expense, net

	2002/03	2001/02
	€ million	
Income from other securities and loans included in financial assets	18.3	16.1
[of which from affiliated companies]	[0.0]	[0.1]
Other interest and similar income	17.4	40.1
[of which from affiliated companies]	[0.0]	[0.6]
Interest and similar expenses	(105.9)	(117.5)
[of which to affiliated companies]	[(1.9)]	[(8.5)]
[of which interest expense in calculating pension provisions]	[(21.0)]	[(19.4)]
Interest expense, net	**(70.2)**	**(61.3)**
Income from investments	29.2	17.1
[of which from affiliated companies]	[1.6]	[3.0]
[of which from associated companies]	[27.8]	[9.2]
Income from investments	**29.2**	**17.1**
Financial expense, net	**(41.1)**	**(44.2)**

2.11 Taxes on income

Income tax expense for 2002/03 decreased to € 58.3 million compared with € 106.8 million for the previous year. Current income tax expense declined by € 12.9 million to € 89.3 million, and there was a net deferred tax credit of € 31.0 million in 2002/03 (€ 4.6 million deferred tax expense in 2001/02), partly due to a reduction in the Belgian income tax rate from 40.2 % to 34.0 %.

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. Deferred tax liabilities of € 342.7 million relate primarily to measurement differences for items in non-current assets and inventories. Deferred taxes are calculated based on the local tax rate (37.4 % for Germany). Deferred tax assets include € 6.2 million for tax loss carryforwards.

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

	2002/03
	€ million
Change in deferred tax assets in the balance sheet	4.0
of which change in companies consolidated	0.0
of which income	4.0
Change in deferred tax liabilities in the balance sheet	51.2
of which change in companies consolidated	18.0
of which expense	33.2
Change in deferred taxes charged or credited direct to equity	(6.2)
Deferred taxes per statement of income	**31.0**

Reconciliation of earnings before income taxes to income tax expense:

	2002/03	2001/02
	€ million	
Earnings before taxes on income	373.7	387.9
Theoretical tax rate	*39.2 %*	*37.9 %*
Theoretical tax expense	**146.5**	**147.0**
Change in theoretical tax rate as a result of:		
Different tax rate	(17.5)	(4.9)
Tax reduction for tax-free income	(71.7)	(97.6)
Tax increase for non-deductible expenses	31.2	95.0
Deferred tax income due to change in Belgian tax rate	(15.2)	0.0
Other	(15.0)	(32.7)
Taxes on income	**58.3**	**106.8**
Effective tax rate	**15.6 %**	**27.6 %**

The theoretical income tax rate of 39.2 % is calculated by using the corporation tax rate, increased from 25.0 % to 26.5 % as a result of the flood victims solidarity surcharge, plus a solidarity surcharge of 5.5 % of the corporation tax charge, and municipal trade tax on income.

2.12 Research and development expenses

Research and development expenses amounted to € 25.5 million (€ 22.8 million).

VI. Statement of cash flows

The statement of cash flows, prepared in accordance with requirements set out in IAS 7, 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 € 580.2 million (€ 551.0 million) and represents 13.2 % (11.5 %) of revenues. Cash outflows for tax payments totalled € 49.0 million (€ 41.9 million), dividends received from associated companies included at equity and from other investments amounted to € 15.2 million (€ 5.7 million). After considering changes in working capital, cash flow from operating activities amounted to € 408.5 million (€ 409.8 million).

A total of € 160.3 million (€ 1,489.8 million) was required to finance capital expenditures on non-current assets. Capital expenditures of € 206.5 million (€ 218.8 million) for tangible and intangible non-current assets and of 45.8 million (€ 1,670.5 million, of which € 1,600.9 million for SLS) for financial assets, including the acquisition of consolidated subsidiaries, were partly offset by sales proceeds from disposals of € 136.3 million, most of which related to sales of financial assets (€ 112.2 million).

Dividend distributions of € 119.8 million (€ 233.1 million) mainly related to cash dividends paid to the shareholders of Südzucker AG (2001/02: including a special dividend of € 143.0 million) and to minority interests in consolidated subsidiaries. Financial liabilities of € 147.5 million were repaid in 2002/03.

VII. Segment reporting

1. Business segments (primary segment reporting)

The segment information has been presented in accordance with internal reporting within the Südzucker Group, with operations divided into the sugar and special products segments. In connection with the group's strategic restructuring, with the acquisition of the SLS Group and the disposal of the Schöller Group in 2001/02, the make-up of the segments was changed effective March 1, 2002, as follows: the sugar segment includes the core sugar business in western and eastern Europe. The special products segment consists of the Palatinit, ORAFTI and starch divisions, together with the activities of the Portion-Pack, Surafti and Freiberger Groups.

As set out in IAS 14.76, the previous year's figures were reallocated to the new segments and the Schöller activities, included in the 2001/02 amounts, were eliminated to facilitate comparability.

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

Operating margin is calculated as the percentage of operating profit to sales. Transactions between segments (sales of € 66.6 million) 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 account liabilities, other short-term liabilities and short-term provisions and accrued 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.

	2002/03			2001/02*		
	Group	Sugar	Special products	**Group**	Sugar	Special products
	€ million					
Sales	**4,383.8**	3,359.2	1,024.6	**3,680.0**	2,758.2	921.8
Operating profit	**520.3**	396.9	123.4	**420.7**	328.2	92.5
Operating margin	*11.9 %*	*11.8 %*	*12.0 %*	*11.4 %*	*11.9%*	*10.0%*
Segment assets	**3,785.2**	3,098.9	686.3	**3,620.9**	2,953.6	667.3
Segment liabilities	**924.8**	868.4	56.4	**901.2**	847.3	53.9
Expenditures on tangible assets	**206.5**	134.6	71.9	**178.0**	102.3	75.7
Investments in financial assets	**45.8**	31.4	14.4	**1,670.5**	1,609.9	60.6
Depreciation of tangible assets	**(189.2)**	(140.2)	(49.0)	**(169.5)**	(125.0)	(44.5)
Employees	**14,855**	11,543	3,312	**15,034**	12,148	2,886

* Excluding Schöller Holding.

2. Geographic segments (secondary segment reporting)

	2002/03	2001/02*
	€ million	
Sales		
Germany	1,360.1	1,448.6
Other EU countries	2,597.4	1,873.7
Total EU countries	3,957.5	3,322.3
Eastern Europe	402.9	339.1
Other foreign countries	23.4	18.6
	4,383.8	**3,680.0**
Segment assets		
Total EU countries	3,478.6	3,361.8
Eastern Europe	301.9	254.9
Other foreign countries	4.7	4.2
	3,785.2	**3,620.9**
Expenditures on tangible assets		
Total EU countries	177.9	161.0
Eastern Europe	28.6	17.0
	206.5	**178.0**

* Excluding Schöller Holding.

VIII. Other notes

1. Related parties

A related party as defined in IAS 24 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 2002/03 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.

Assuming that the shareholders' annual general meeting approves the proposed dividend, the total remuneration of members of the executive board of Südzucker AG paid by the company and its subsidiaries amounted to € 4.9 million (of which variable € 1.3 million) and the total remuneration of the members of the supervisory board amounted to € 1.0 million (variable). 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 € 10.5 million has been provided 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.

There were no advances or loans to members of the executive board on February 28, 2003. € 30,700 was repaid during 2002/03.

2. Earnings per share

	2002/03	2001/02
Earnings for the year (excluding minority interests) in € million	259.4	231.9
Number of shares	170,339,088	160,182,610
Earnings per share in €	**1.52**	**1.45**

The calculation has been made in accordance with requirements set out in IAS 33.
In 2002/03, the number of shares was reduced by the shares as set out in § 160 para. 1 Stock Corporation Law.

3. Supervisory board and executive board

Supervisory board

Dr. Hans-Jörg Gebhard

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

Other memberships of domestic,
statutory supervisory boards:
Südzucker GmbH, Zeitz (chairman)
VK Mühlen AG, Hamburg
Memberships of comparable domestic
and foreign supervisory bodies:
AGRANA Beteiligungs-AG, Vienna, Austria
Saint Louis Sucre S.A., Paris, France
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG,
Ochsenfurt (chairman)

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

Other memberships of domestic,
statutory supervisory boards:
ABB Asea Brown Boveri AG, Mannheim
BEGO Medical AG, Bremen
Continental AG, Hanover
Heidelberg Cement AG, Heidelberg
O & K Orenstein & Koppel AG, Berlin (chairman)
Memberships of comparable domestic
and foreign supervisory bodies:
BENETTON S.p.A., Ponzano, Italy
DUCATI S.p.A, Bologna, Italy
Piaggio S.p.A., Pontedera, Italy

Heinz Christian Bär

Karben – Burg Gräfenrode
Vice president of the Deutscher Bauernverband e.V.

Memberships of comparable domestic
and foreign supervisory bodies:
Landwirtschaftliche Rentenbank, Frankfurt/Main
LBH Steuerberatungsgesellschaft mbH, Friedrichsdorf
Vereinigte Hagelversicherung VVAG, Gießen

Gerlinde Baumgartner*

Osterhofen
Member of the works council of the Plattling works
Südzucker AG Mannheim/Ochsenfurt
from August 22, 2002

Robert Bausewein*

Ochsenfurt
Member of the works council of the Ochsenfurt works
and head office
Südzucker AG Mannheim/Ochsenfurt
March 19 through August 22, 2002

Dr. Ulrich Brixner

Dreieich
Chairman of the executive board of DZ BANK AG

Other memberships of domestic,
statutory supervisory boards:
Karlsruher Lebensversicherung AG, Karlsruhe
Memberships of comparable domestic
and foreign supervisory bodies:
Banco Cooperativo Español, Madrid, Spain
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG,
Ochsenfurt
Group company board memberships:
Bausparkasse Schwäbisch Hall AG, Schwäbisch Hall
(deputy chairman)
DG HYP Deutsche Genossenschafts-Hypothekenbank AG,
Hamburg (chairman)
DZ BANK plc., Dublin, Ireland (chairman)
R + V Versicherung AG, Wiesbaden

** Employee representative.*

Rolf Bucher*

Offenau
Member of the works council of the Offenau works
Südzucker AG Mannheim/Ochsenfurt
March 19 through August 22, 2002

Helmut Drescher*

Wattenheim
Chairman of the works council
Südzucker AG Mannheim/Ochsenfurt

Ludwig Eidmann

Groß-Umstadt
Chairman of the Association of the
Hessen-Nassauischen Zuckerrübenanbauer e.V.
from August 22, 2002

Walter Erhard*

Regensburg
Deputy chairman of the works council
Südzucker AG Mannheim/Ochsenfurt
to August 22, 2002

Manfred Fischer*

Feldheim
Deputy chairman of the works council
Südzucker AG Mannheim/Ochsenfurt
from August 22, 2002

Paul Freitag

Oberickelsheim-Rodheim
Chairman of the Association of
Fränkische Zuckerrübenbauer e. V.

Other memberships of domestic, statutory supervisory boards:
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG, Berlin

Max Fröschl*

Aholming
Chairman of the works council of the Plattling works
Südzucker AG Mannheim/Ochsenfurt
March 19 through August 22, 2002

Hans Hartl*

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

Other memberships of domestic, statutory supervisory boards:
Philip Morris GmbH, Munich
Südfleisch Holding AG, Munich (deputy chairman)

Klaus Kohler*

Bad Friedrichshall
Chairman of the works council of the Offenau works
Südzucker AG Mannheim/Ochsenfurt
from August 22, 2002

Dr. Christian Konrad

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

Other memberships of domestic, statutory supervisory boards:
BayWa AG, Munich
Memberships of comparable domestic and foreign supervisory bodies:
Saint Louis Sucre S.A., Paris, France
Siemens Österreich AG, Vienna, Austria
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt
Group company board memberships:
AGRANA Beteiligungs-AG, Vienna, Austria (chairman)
BIBAG AG, Vienna, Austria
Do & Co AG, Vienna, Austria
Erste Niederösterreichische Brandschaden-Versicherungs AG, Vienna, Austria
KURIER Zeitungsverlag und Druckerei Gesellschaft m.b.H., Vienna, Austria (chairman)
Leipnik-Lundenburger Invest Beteiligungs AG, Vienna, Austria (chairman)
Mediaprint GmbH & Co. KG, Vienna, Austria (chairman)
Raiffeisen Holding Niederösterreich Wien reg. Gen.m.b.H., Vienna, Austria (chairman)
Raiffeisen Landesbank Niederösterreich Wien AG, Vienna, Austria (chairman)
Raiffeisen Ware Austria AG, Vienna, Austria
Raiffeisen Zentralbank Österreich AG, Vienna, Austria (chairman)
RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung registrierte Genossenschaft mit beschränkter Haftung, Vienna, Austria
Uniqa Versicherungen AG, Vienna, Austria (chairman)

Jörg Lindner*

Hamburg
Divisional officer of the Food and Catering Union

Other memberships of domestic, statutory supervisory boards:
Nestlé Deutschland AG, Frankfurt/Main
Nestlé Schöller GmbH & Co. KG, Nuremberg

Ulrich Müller

Illsitz
Chairman of the Association of the Sächsisch-Thüringischer Zuckerrübenanbauer e. V.

Other memberships of domestic, statutory supervisory boards:
Südzucker GmbH, Zeitz
Memberships of comparable domestic and foreign supervisory bodies:
Raiffeisenwarengesellschaft mbH, Gößnitz
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (deputy chairman)

Erich Muhlack*

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

Memberships of comparable domestic and foreign supervisory bodies:
BGD Bodengesundheitsdienst GmbH, Mannheim
REKO Erdenvertrieb GmbH, Mannheim

Gunter Schneickert*

Offstein
Chairman of the works council of the Offstein works
Südzucker AG Mannheim/Ochsenfurt
March 19 through August 22, 2002

Richard Schwaiger

Aiterhofen
Chairman of the Association of Bayerische Zuckerrübenanbauer e. V.

Memberships of comparable domestic and foreign supervisory bodies:
AGRANA Beteiligungs-AG, Vienna, Austria

Klaus Viehöfer*

Grana
Member of the works council of the Zeitz works
Südzucker GmbH
from August 22, 2002

Other memberships of domestic, statutory supervisory boards:
Südzucker GmbH, Zeitz

Ernst Wechsler

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

Roland Werner*

Saxdorf
Chairman of the works council of the Brottewitz works
Südzucker GmbH
from August 22, 2002

Gerhard R. Wolf

Worms
Former member of the executive board of BASF AG
to August 22, 2002

Other memberships of domestic, statutory supervisory boards:
Hornbach Holding AG, Bornheim (chairman)
Hornbach Baumarkt AG, Bornheim (chairman)
K + S AG, Kassel (chairman)
K + S Kali GmbH, Kassel (chairman)
STINNES Aktiengesellschaft, Mülheim/Ruhr

Executive board

Dr. Theo Spettmann (Spokesman)

Memberships of domestic, statutory supervisory boards:
Berentzen-Gruppe AG, Haselünne (chairman)
Fresenius Medical Care AG, Hof, Saale
Gerling Industrie Service AG, Cologne
Karlsruher Versicherung AG, Karlsruhe
Group company board memberships:
AIH Agrar-Industrie-Holding GmbH, Mannheim (chairman)
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG, Berlin
Raffinerie Tirlemontoise S.A., Brussels, Belgium
Saint Louis Sucre S.A., Paris, France (chairman)
Südzucker Verkauf GmbH, Oberursel
Südzucker International GmbH, Ochsenfurt
Südzuckergroup Export Centre S.A., Brussels, Belgium (chairman)

Albert Dardenne

Group company board memberships:
AGRANA Internationale Verwaltungs- und Asset-Management AG, Vienna, Austria
Candico N.V., Antwerp, Belgium
Ensemble Participations S.A.S., Paris, France
Financière Franklin Roosevelt S.A.S., Paris, France
Portion Pack Europe Holding B.V., Oud-Beijerland, The Netherlands
Raffinerie Notre-Dame S.A., Oreye, Belgium
Remy Industries N.V., Wijgmaal-Leuven, Belgium
Saint Louis Sucre S.A., Paris, France

Dr. Christoph Kirsch

Group company board memberships:
AGRANA Beteiligungs-AG, Vienna, Austria
BETA Beteiligungs GmbH, Mannheim (chairman)
Financière Franklin Roosevelt S.A.S., Paris, France
Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG, Berlin
Raffinerie Tirlemontoise S.A., Brussels, Belgium (chairman)
Südzucker International GmbH, Ochsenfurt
Südzucker Verkauf GmbH, Oberursel (chairman)
Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (chairman)
Zuckerfabrik Ropczyce, Ropczyce, Poland

Dr. Klaus Korn

Memberships of comparable domestic and foreign supervisory bodies:
Kerevitas A.S., Istanbul, Turkey
Group company board memberships:
Palatinit Asia Pacific Pte Ltd., Singapore
Raffinerie Tirlemontoise S.A., Brussels, Belgium
Saint Louis Sucre S.A., Paris, France
Südzucker GmbH, Zeitz
Südzucker International GmbH, Ochsenfurt
Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim
Zuckerfabrik Ropczyce, Ropczyce, Poland

Johann Marihart

Memberships of comparable domestic and foreign supervisory bodies:
BBG Bundesbeschaffungsges.m.b.H., Vienna, Austria
Leipnik-Lundenburger Invest Beteiligungs AG, Vienna, Austria
Österreichische Nationalbank, Vienna, Austria
Ottakringer Brauerei AG, Vienna, Austria
top.equity Unternehmensbeteiligungs AG, Vienna, Austria
TÜV Österreich, Vienna, Austria (president)
Group company board memberships:
AGRANA Internationale Verwaltungs- und Asset-Management AG, Vienna, Austria (chairman)
AGRANA Zucker und Stärke AG, Vienna, Austria (chairman)
EHCF Kft., Acs, Hungary (chairman)
Magyar Cukor Rt., Budapest, Hungary
Moravskoslezské Cukrovary a.s., Hrusovany, the Czech Republic (chairman)
Österreichische Rübensamenzucht GmbH, Tulln, Austria (chairman)
Raffinerie Tirlemontoise S.A., Brussels, Belgium
Saint Louis Sucre S.A., Paris, France
Zuckerforschung Tulln GmbH, Tulln, Austria (chairman)

Dr. Rudolf Müller

Memberships of domestic, statutory supervisory boards:
VK Mühlen AG, Hamburg
Group company board memberships:
AGRANA Beteiligungs-AG, Vienna, Austria (deputy chairman)
BGD Bodengesundheitsdienst GmbH, Mannheim (chairman)
Raffinerie Tirlemontoise S.A., Brussels, Belgium
REKO Erdenvertrieb GmbH, Regensburg (chairman)
Saint Louis Sucre S.A., Paris, France
Südzucker GmbH, Zeitz
Südzucker International GmbH, Ochsenfurt (chairman)
Zuckerfabrik Ropczyce, Ropczyce, Poland (chairman)

Frédéric Rostand

Memberships of comparable domestic and foreign supervisory bodies:
Ebro Puleva S.A., Madrid, Spain
Group company board memberships:
COFA (Compagnie Financière de l'Artois), Marconne Hesdin, France
Distilleries Ryssen, Marconne Hesdin, France
Eastern Sugar BV, Deurne, Holland
Raffinerie Tirlemontoise S.A., Brussels, Belgium
Société Nouvelle des Sucreries de Chalon-sur-Sâone S.A., Chalon-sur-Sâone, France

4. Significant investments of the Südzucker Group

The significant investments are listed by sub-group.

	Location	Country	Südzucker share %	Indirect holding %
Südzucker AG				
Palatinit GmbH[1]	Mannheim		100.00	
Südzucker GmbH[1]	Zeitz		100.00	
Südzucker International Finance B.V.	Amsterdam	The Netherlands	100.00	
Südzuckergroup Export Centre S. A.	Brussels	Belgium	51.00	49.00
Zschortauer Feldfrucht GmbH	Zschortau		51.00	
Wolteritzer Agrar GmbH	Schkeuditz			74.80
Cukrownia Lubna S. A.	Kazimierza Wielka	Poland	75.40	
Cukrownia Ropczyce S. A.	Ropczyce	Poland	51.63	
Cukrownia Wlostów S. A.	Wlostów	Poland		81.25
Cukrownia Garbów S. A.	Garbów	Poland		92.03
Cukrier Królewski	Krakau	Poland	100.00	
Cukrownia Strzyżów S. A.	Strzyżów	Poland	81.24	
Fabrica de Zahar Alexandreni S. A.[2]	Alexandreni	Moldova	36.00	
Südzucker Moldova S. A.	Drochia	Moldova	61.21	
BGD Bodengesundheitsdienst Gesellschaft mbH[1]	Mannheim		100.00	
REKO Erdenvertrieb GmbH[1]	Regensburg		100.00	
Mönnich GmbH & Co. KG	Kassel		71.43	28.57
AIH Agrar-Industrie-Holding GmbH	Mannheim		50.00	
Beta Beteiligungs GmbH	Mannheim		43.19	
Z & S Zucker und Stärke Holding AG	Vienna	Austria	50.00	
Raffinerie Tirlemontoise S. A.		Belgium	85.41	
Sucres de Tirlemont S. A.	Tienen	Belgium		100.00
Hottlett Sugar Trading S. A.	Berchem	Belgium		62.55
Candico S. A.	Merksem	Belgium		75.50
ORAFTI Oreye S. A.	Oreye	Belgium		99.89
Remy Industries NV	Wijgmaal	Belgium		100.00
Cocachoc NV	Herentals	Belgium		100.00
Suikers G. Lebbe S. A.	Oostkamp	Belgium		99.88
Portion Pack European Holding B.V.	Oud Beijerland	The Netherlands	33.00	67.00
Atlanta Dethmers Beheer BV	Groningen	The Netherlands		100.00
James Fleming & Co. Ltd.	Newbridge	Scotland		100.00
Sugarfayre Limited	Ashington	England		100.00
W. T. Mather Ltd.	Ashton	England		100.00
Groupe Nougat Chabert & Guillot	Montélimar	France		100.00

	Location	Country	Südzucker share	Indirect holding
			%	
Saint Louis Sucre S. A.		France	85.19	
Saint Louis Sucre S.N.C.	Paris	France		100.00
Sociétè Nouvelle des Sucreries de Chalon	Chalon-sur-Sâone	France		49.99
Sucrerie et Distillerie de Souppes-Ouvré Fils S. A.	Paris	France		44.48
Eastern Sugar BV	Deurne	Holland		50.00
Ebro Puleva S. A.	Madrid	Spain		14.19
AGRANA Beteiligungs-Aktiengesellschaft [3]		Austria	44.87	
AGRANA Zucker und Stärke AG	Vienna	Austria		100.00
Magyar Cukorgyártó és Forgalmazó Kft.	Budapest	Hungary		88.04
Moravskoslezské Cukrovary A.S.	Hrusovany	The Czech Republic		97.54
S.C. Danubiana Roman S. A.	Roman	Romania		92.16
S.C. Zaharul Romanesc S. A.	Buzau	Romania		86.51
Slovenské Cukrovany a.s.	Rimavská Sobota	Slovakia		100.00
HUNGRANA Keményitö- és Isocukorgyártó és Forgalmazó Kft.	Szabadegyhaza	Hungary		50.00
AGFD Tandarei S.C.	Tandarei	Romania		99.97
Freiberger Group				
Freiberger Lebensmittel GmbH & Co. Prod.-/Vertr. KG	Berlin		100.00	
PrimAS Tiefkühlprodukte GmbH	Oberhofen	Austria		100.00

[1] Exemption from publishing financial statements per § 264 para. 3 HGB.
[2] Controlling influence per contractual agreement.
[3] Majority of voting share.

5. Corporate governance code

The declaration of compliance with the German corporate governance code, as set out in § 161 Stock Corporation Law, was submitted by the executive board and supervisory board and is available to shareholders on our Internet homepage at http://www.suedzucker.de.

IX. Proposed appropriation of earnings

It will be proposed to the annual general meeting that a dividend of € 0.50 € per share (2001/02: € 0.47 per share) be distributed and hence that the retained earnings of Südzucker AG Mannheim/Ochsenfurt of € 87,437,861.19 be appropriated as follows:

	in €
Distribution of a dividend of **€ 0.50 per share** on 174,787,946 ordinary shares	87,393,973.00
Earnings carried forward	43,888.19
Unappropriated earnings	**87,437,861.19**

The dividend will be paid on August 1, 2003.

Mannheim, May 12, 2003

THE EXECUTIVE BOARD

Dr. Spettmann Dardenne Dr. Kirsch Dr. Korn Marihart Dr. Müller Rostand

The financial statements of Südzucker AG, prepared in accordance with German accounting principles and upon which KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Mannheim, has issued an unqualified auditors' report, 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

We have audited the consolidated financial statements prepared by Südzucker Aktiengesellschaft Mannheim/Ochsenfurt, Mannheim, 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, 2002 through February 28, 2003. The preparation and contents of the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the company's executive board. 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 and generally accepted standards for audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), as well as in accordance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the 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 evidence supporting the disclosures in 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.

In our opinion, the consolidated financial statements present fairly the assets and liabilities, financial position, results of operations and cash flows of the group for the year ended February 28, 2003 in accordance with International Financial Reporting Standards.

Our audit, which also included the group management report prepared by the executive board for the period from March 1, 2002 through February 28, 2003, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the position of the group and suitably presents the risks for future development. We also confirm that the consolidated financial statements and the group management report for the business year from March 1, 2002 through February 28, 2003 complies with the conditions for exemption from preparing consolidated financial statements and a group management report in accordance with German law.

Mannheim, May 15, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Walter	Heublein
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the supervisory board

Dear shareholders,

For Südzucker, 2002/03 was above all a year of rigorous implementation of the new focus of our business segments. Supported by a newly-organised group structure, co-operation within the group was optimised, so that significant synergies and cost savings could already be achieved in the first year following the change. The supervisory board was extensively informed of discussions on the prolongation of the sugar market regulation beyond 2006 and on WTO negotiations. A major element of these discussions was whether production of bio-ethanol could be upgraded to form a new business division. The supervisory board has informed itself of the opportunities and risks arising from this activity with the help of detailed evaluations.

The supervisory board paid particular attention to the topic of corporate governance. Good corporate governance standards have traditionally been a matter of particular concern to Südzucker's supervisory board and is a significant basis for the trust of investors. Mutual respect and co-operation between the supervisory board and executive board mean that the recommendations set out in the German corporate governance code are already extensively followed. After considerable preliminary work, the supervisory board made appropriate changes to the procedural rules of the supervisory board and executive board and established an audit committee. A joint declaration of compliance as set out in § 161 Stock Corporation Law was resolved by the supervisory board and executive board. This involved the executive board and supervisory board declaring that they have complied with the recommendations set out in the German corporate governance code.

The supervisory board and executive board met four times during 2002/03 to discuss the position of the group, the strategic development of the individual companies and its divisions and many current individual topics.

Based on regular written reports, the supervisory board discussed all significant transactions with the executive board and supervision and advice were provided to management. Furthermore, the chairman of the supervisory board also regularly attended selected executive board meetings and held regular working sessions with the spokesman of the executive board to ensure a regular flow of information and exchange of opinions between the two boards. Recurring subjects of the oral and written reports of the executive board were the position and development of the group, business policy, profitability and corporate, treasury, capital expenditure and personnel budgets relating to the company and the group. The supervisory board intensively discussed with the executive board financial data and other relevant key ratios together with the group-wide risk management system. The supervisory board also gave particular attention to the possible effects of general and economic developments, particularly with respect to the EU sugar market regulation.

The period in office of all members of the supervisory board ended with the annual general meeting on August 22, 2002. The employee representatives were already elected on June 13, 2002. All the former representatives of the shareholders, except for Gerhard R. Wolf, who was not available for re-election after twelve years of service on the board, were re-elected to the supervisory board at the annual general meeting. Ludwig Eidmann, chairman of the Association of Hessen-Nassauische Zuckerrübenanbauer e.V., was newly elected to the supervisory board in place of Gerhard R. Wolf. Walter Erhard, deputy chairman of the group works council, has also retired from the supervisory board after ten years of service. The supervisory board thanks both persons for their long and successful work for the benefit of the group. Thanks are also due to Robert Bausewein, Rolf Bucher, Max Fröschl and Gunther Schneikert, who retired from the supervisory board at the close of the 2002 annual general meeting. They were replaced by Gerlinde Baumgartner, Manfred Fischer, Klaus Kohler, Klaus Viehöfer and Roland Werner. At its meeting on November 21, 2002 the supervisory board appointed Prof. Dr. Markwart Kunz as member of the executive board effective September 1, 2003. Prof. Dr. Kunz succeeds Dr. Klaus Korn.

Following the election of KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Mannheim, as auditors by the annual general meeting on August 22, 2002, the supervisory board engaged them to carry out their audit. The 2002/03 financial statements of Südzucker AG and the combined management report 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 of the 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 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 any reservations.

At its meeting on May 27, 2003 the supervisory board approved the consolidated financial statements for 2002/03 and thus adopted the financial statements of Südzucker AG for 2002/03 and agreed the executive board's recommendation on appropriation of earnings, with a distribution of a dividend of € 0.50 per share.

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, there were no reasons for a materially different conclusion than that taken 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 the report.

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

Mannheim, May 27, 2003

THE SUPERVISORY BOARD

Dr. Hans-Jörg Gebhard
Chairman

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das trio, Mannheim

Printing and processing:
Color Druck, Leimen

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Richard Fischer, www.richardfischer.net