Annual Report Südzucker AG 1999/2000

SÜDZUCKER

Südzucker - Key figures

		IAS 1999/2000	IAS 1998/99	HGB 1997/98
Group				
Employees (average during the year)		29,579	25,619	20,394
Total assets	¤ millions	4,677	4,588	3,597
Non-current assets	¤ millions	2,450	2,436	1,662
Shareholders' equity	¤ millions	1,619	1,553	904
as % of total liabilities and shareholders' equity	%	34.6	33.8	25.1
Medium-term and long-term third-party liabilities	¤ millions	1,502	1,523	1,123
Total shareholders' equity, medium-term and long-term liabilities	¤ millions	3,121	3,076	2,028
as % of non-current assets	%	127.4	126.3	122.0
Current assets less short-term third-party liabilities	¤ millions	671	640	366
Capital expenditures in tangible assets[1)]	¤ millions	233	238	209
Capital expenditures in financial assets[2)]	¤ millions	87	209	184
Total capital expenditures	¤ millions	320	447	393
Gross cash flow from operating activities	¤ millions	472	464	480
as % of sales	%	10.5	10.3	11.5
Sales	¤ millions	4,517	4,504	4,187
of which foreign	¤ millions	2,407	2,404	2,075
Cost of materials	¤ millions	2,351	2,397	2,280
Personnel expense	¤ millions	720	711	654
Income from ordinary operating activities[3)]	¤ millions	329	308	279
as % of sales	%	7.3	6.8	6.7
Net earnings for the year	¤ millions	174	140	167
as % of sales	%	3.8	3.1	4.0
Earnings per share	¤	1.09	0.93	1.07
Beet processing	1000 t	23,432	21,224	20,294
Beet processing capacity	1,000 t / day	279	245	245
Sugar production	1000 t	3,596	3,078	3,169
Sugar sales volumes	1000 t	3,414	3,282	3,149
Dividend per ¤ 1 ordinary share	¤	0.87[4)]	0.33	0.33
Dividend per ¤ 1 preference share	¤	0.91[4)]	0.37	0.37
Tax credit per ¤ 1 ordinary share	¤	0.37	0.14	0.14
Tax credit per ¤ 1 preference share	¤	0.39	0.16	0.16
Total dividend distribution	¤ millions	120	47	46

1) Including intangible assets
2) Including acquisitions of consolidated subsidiaries, excluding pro rata earnings from equity-accounted associates
3) Until 1997/98 adjusted income from ordinary operating acitivities per German accounting principles (HGB)
4) The recommendation includes ¤ 0.53 special dividend per share (distribution and reinvestment)

HGB 96/97	HGB 1995/96	HGB 1994/95	HGB 1993/94	HGB 1992/93	HGB 1991/92	HGB 1990/91
19,239	19,539	12,597	10,243	10,985	11,910	10,192
3,622	3,196	2,991	3,190	2,531	2,412	2,856
1,741	1,605	1,599	1,703	1,262	1,137	1,289
1,016	867	871	890	597	541	714
28.1	27.1	29.1	27.9	23.6	22.4	25.0
1,094	1,097	949	1,013	845	794	815
2,110	1,964	1,820	1,903	1,441	1,335	1,529
121.1	122.4	113.8	111.8	114.2	117.5	118.7
369	359	221	200	179	198	240
213	194	142	289	278	304	328
209	77	42	70	15	112	363
422	271	184	359	293	416	690
437	410	371	309	304	299	262
11.3	10.7	11.6	11.6	11.3	11.8	11.3
3,885	3,826	3,203	2,677	2,685	2,523	2,321
1,923	1,852	1,731	1,256	1,191	1,041	1,012
2,197	2,067	1,730	1,575	1,552	1,522	1,507
620	622	455	366	376	357	304
259	242	215	221	256	253	199
6.7	6.3	6.7	8.3	9.5	10.0	8.6
146	114	116	77	86	121	87
3.8	3.0	3.6	2.9	3.2	4.8	3.7
0.94	0.82	0.80	0.73	0.72	0.70	0.61
19,718	19,416	17,978	16,804	15,787	14,075	16,401
233	233	237	190	188	186	189
3,103	2,819	2,666	2,562	2,309	2,088	2,387
2,816	2,851	3,093	2,404	2,239	2,261	2,154
0.33	0.30	0.30	0.30	0.30	0.28	0.28
0.37	0.34	0.34	0.34	0.34	0.31	0.31
0.14	0.13	0.13	0.13	0.13	0.15	0.15
0.16	0.15	0.15	0.15	0.15	0.18	0.18
43	36	36	35	31	26	26

Südzucker

Aktiengesellschaft

Mannheim/Ochsenfurt

Group Annual Report

for 1999/2000

March 1, 1999 through

February 29, 2000

Contents

The Südzucker Universe

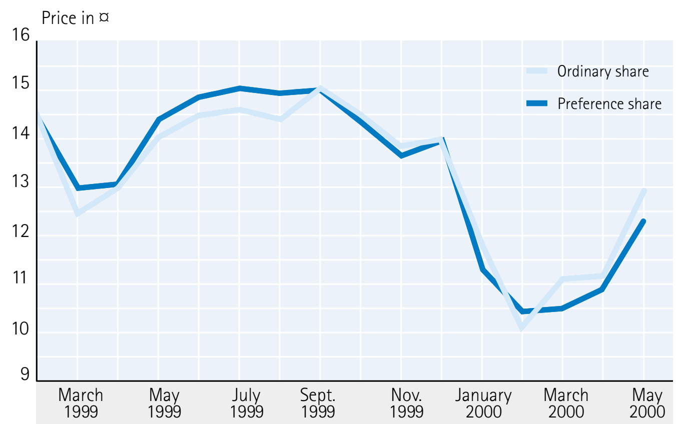
Take a fascinating trip through endlessly new, delicious galaxies.
On four double-pages in this annual report, you'll rediscover Südzucker's products in the infinite reaches of outer space - as planets in the Südzucker Universe.

The Südzucker share

Share price

Having reported on satisfactory growth in the value of our shares in previous years' annual reports, over the past year movements in the Südzucker share price no longer reflected the improvement in results of operations. Despite achieving notable improvements in profitability the share price fell considerably.

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



	Südzucker ordinary share	Südzucker preference share
Security code no.	729 700	729 703
Reuters code	SZUG.	SZUG_p.
Xetra code	SZUG.DE	SZUG_p.DE

The ordinary share price at the end of February 2000 (1999 after a share split of 1: 26) fell on a comparable basis to ¤ 10.50 (¤ 14.15)* and the preference share price decreased to ¤ 10.30 (¤ 14.31). Compared with the previous year the value (change in price + reinvested cash dividends) of Südzucker shares fell by 24 % (ordinary share) and 26 % (preference share). The MDAX, made up of 70 German shares and in which Südzucker was ranked 29th with a market capitalisation of ¤ 1.424 billion on February 29, 2000, increased over the same period by 11.6 %, calculated using the same procedure. On the other hand, the share prices of the nine listed European sugar producers also fell by 26 %.

We continue to intensify contacts with our shareholders and held many meetings with analysts and fund managers as well as with interested shareholders. We have made many more direct contacts with shareholders via our shareholder information service on the internet (http://www.suedzucker.de). However, this intensified communication only had a limited impact on the Südzucker share price due to the overall apathy shown towards listed European food producers.

Based on stock exchange analysts' ratios Südzucker's share price was under-valued at February 29, 2000. In the meantime, the ordinary share price has risen by 17.1 % and the preference share price by 24.3 % compared with February 29, 2000.

** The numbers in brackets relate to the previous year.*

Südzucker share data

	1999/2000	1998/99	
	Shares with no par value[1]	Comparable split 1:26	Shares with a nominal value of DM 50.00
Ordinary share			
Cash dividend	¤ 0.34 [2]	¤ 0.33	DM 17.00
Special dividend	¤ 0.53 [2]	–	–
Tax credit	¤ 0.37	¤ 0.14	DM 7.29
Gross dividend	¤ 1.24	¤ 0.48	DM 24.29
Preference share			
Cash dividend	¤ 0.38 [2]	¤ 0.37	DM 19.00
Special dividend	¤ 0.53 [2]	–	–
Tax credit	¤ 0.39	¤ 0.16	DM 8.14
Gross dividend	¤ 1.30	¤ 0.53	DM 27.14
Share price at end of year			
Ordinary share	¤ 10.50	¤ 14.15	DM 719.75
Preference share	¤ 10.30	¤ 14.31	DM 727.57
Market capitalisation at end of year	**¤ 1,424,154,160**	**¤ 1,932,292,000**	**DM 3,779,234,662**
Earnings per share	¤ 1.09	¤ 0.93	DM 47.29
Cash flow per share	¤ 3.47	¤ 3.41	DM 173.40
Price earnings ratio			
Ordinary share	9.6		15.2
Preference share	9.4		15.4
Price cash flow ratio			
Ordinary share	3.0		4.1
Preference share	3.0		4.2
Dividend yield			
Ordinary share	11.8 %		3.4 %
Preference share	12.6 %		3.7 %
ROCE – return on capital employed[3]	11.2 %		11.0 %
Number of shares issued			
Ordinary shares	106,553,200		4,098,200
Preference shares	29,645,200		1,140,200
Total	136,198,400		5,238,400

[1] Imputed 1 ¤
[2] Proposed
[3] (Operating profit less amortisation of goodwill) : (tangible + intangible non-current assets + working capital)

The Südzucker share

More transparency through IAS

In presenting our financial statements for 1999/2000 we have disclosed our figures for the first time in accordance with internationally comparable International Accounting Standards (IAS). We have thus reflected the wishes of many investors for more transparency and information on the group's segments.

Long-term growth in value

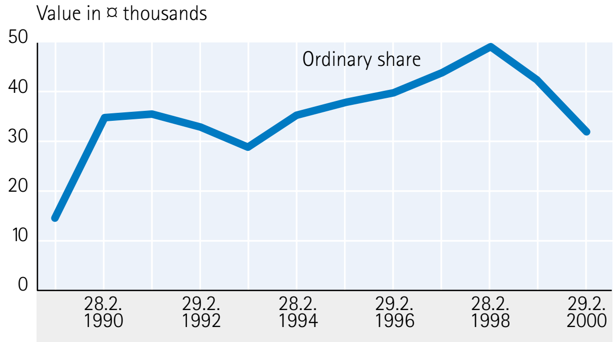
From a long-term prospective a shareholder who invested ¤ 10,000 in Südzucker ordinary shares on March 1, 1988 (business year beginning after the merger with Zuckerfabrik Franken GmbH) and who reinvested cash dividends and pre-emptive rights in Südzucker shares would have accumulated a total of ¤ 32,668 at February 29, 2000. This represents an average annual return of 10.4 %, whereas the MDAX increased by an annual 12.2 %.

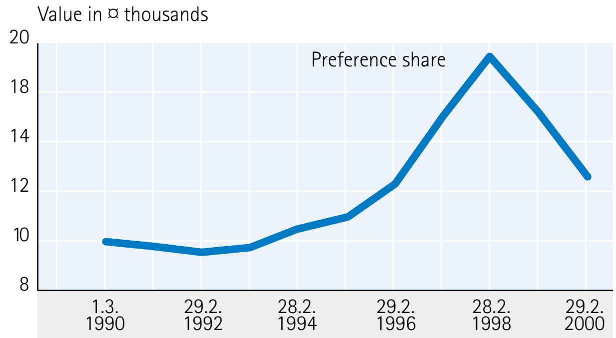
If ¤ 10,000 had been invested on March 1, 1990 in the preference shares issued on that date, the value of the holding would have been ¤ 12,528 on February 29, 2000, which represents an annual increase of 2.3 %. The MDAX rose over the same period by 6.7 % p. a.

Diary dates

Annual general meeting for 1999/2000	August 24, 2000 in Würzburg
Interim report on 1st half 2000/01	October 2000
Interim report on 2nd half 2000/01	May 2001
Press and analysts' meeting on results	July 2001
Interim report on 1st quarter 2001/02	July 2001
Annual general meeting for 2000/01	August 23, 2001 in Mannheim
Interim report on 2nd quarter 2001/02	October 2001

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





Dividends and capital increase

The executive board and supervisory board recommend to the annual general meeting for 2000 that a cash dividend be declared of ¤ 0.34 per ordinary share and ¤ 0.38 per preference share, plus a special distribution of ¤ 0.53 per share. Hence, the total distribution will amount to ¤ 0.87 per ordinary share and ¤ 0.91 per preference share, compared with an equivalent distribution for the previous year, adjusted for the share split, of ¤ 0.33 per ordinary share and ¤ 0.37 per preference share. For those of our shareholders subject to tax in Germany the gross dividend thus amounts to ¤ 1.24 per ordinary share and ¤ 1.30 per preference share.

Issue of new share certificates

We took advantage of the conversion of the ordinary shares to shares with no par value in order to issue new share certificates. These certificates, which have been available for issue since December 1999, are designed to show the operating activities of the Company. Shareholders who have not yet exchanged their old share certificates, which are now invalid, can request their bank to make the exchange free of charge.

The special distribution is intended to be reinvested in the Company (distribution and reinvestment) by means of a capital increase to be approved at the annual general meeting.

Share split and share trading

Following a resolution approved by the annual general meeting in 1999 the Südzucker AG share capital was initially converted to ¤ and thereafter increased out of retained earnings by ¤ 2.3 million, from ¤ 133.9 million to ¤ 136.2 million. It was then converted to shares of no par value by means of a share split of 26 new shares for each former share. Hence, 26 shares with a mathematically nominal value of ¤ 1 were created from each former share with a nominal value of DM 50. The price adjustment was made on the stock exchange on September 27, 1999. Our new shares are officially traded on the Frankfurt, Berlin, Düsseldorf, Hamburg, Munich and Stuttgart stock exchanges and are traded over-the-counter in Hanover. Furthermore, both ordinary shares and preference shares are traded on the electronic XETRA exchange with a XETRA-designated sponsor.

Shareholder structure

The shareholder structure has not changed over the past year. We were informed by Süddeutsche Zuckerrübenverwertungs-Genossenschaft (SZVG) that the combination of its own holding of Südzucker shares and those held on trust by SZVG for its shareholders make up a majority holding in the Company (51 % of total capital, or 60.7 % of ordinary shares). Other shareholders include Deutsche Bank (10 % of total capital, or 12.9 % of ordinary shares) and Austrian shareholders via ZSG (NL) (approximately 5 % of total capital, or 6.3 % of ordinary shares). Hence, approximately 34 % of the total capital is widely held.

With 1,200 shareholders present, the annual general meeting held on August 31, 1999 at the Rosengarten-Kongresszentrum in Mannheim proved extremely popular. Those present represented 93.14 % of the ordinary shares and 55.1 % of the preference shares.

Südzucker AG Man

Sugar/sweeteners segment

Südzucker sugar division

Raffinerie Tirlemontoise Group

AGRANA Group

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

SALES	€ 2,830 million
OPERATING INCOME	€ 271 million
CAPITAL EXPENDITURES	€ 199 million
EMPLOYEES	13,121

Ice cream/frozen food segment

Schöller Holding Group

Freiberger Group

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

SALES	€ 1,687 million
OPERATING INCOME	€ 58 million
CAPITAL EXPENDITURES	€ 121 million
EMPLOYEES	16,458

Agenda for the Shareholders' Annual General Meeting

AGENDA

for the

shareholders' annual general meeting

to be held on Thursday August 24, 2000, at 10.30 a.m. in the Congress-Centrum Würzburg, Pleichertorstraße 5, Würzburg.

1. Presentation of the annual financial statements, the consolidated financial statements and the management report of Südzucker AG Mannheim/Ochsenfurt and the Group for 1999/2000, together with the report of the supervisory board

2. Appropriation of retained earnings

3. Ratification of the acts of the executive board for 1999/2000

4. Ratification of the acts of the supervisory board for 1999/2000

5. Capital increase for cash / distribution and reinvestment

6. Election of new supervisory board members

7. Election of auditors for 2000/2001

PROPOSALS REGARDING THE RESOLUTIONS

Item 2 on the agenda:
The executive board and supervisory board propose that the retained earnings of ¤ 119,733,058.70 be appropriated as follows:

Distribution of a dividend of	¤ 0.34 per ordinary share	¤ 36,228,088.00
and distribution of a special dividend of	¤ 0.53 per ordinary share	¤ 56,473,196.00
giving a total dividend of	¤ 0.87 per ordinary share	¤ 92,701,284.00
on 106,553,200 ordinary shares		
Distribution of a dividend of	¤ 0.38 per preference share	¤ 11,265,176.00
and distribution of a special dividend of	¤ 0.53 per preference share	¤ 15,711,956.00
giving a total dividend of	¤ 0.91 per preference share	¤ 26,977,132.00
on 29,645,200 preference shares		
Resulting in a total dividend of		¤ 47,493,264.00
and a special dividend of		¤ 72,185,152.00
Total distribution		¤ 119,678,416.00
Carried forward to the new year		¤ 54,642.70
Unappropriated retained earnings		¤ 119,733,058.70

Items 3 and 4 on the agenda:

The executive board and supervisory board recommmend that their actions be ratified for 1999/2000.

Item 5 on the agenda:

The executive board and supervisory board recommmend that the following resolution be approved:

The share capital of the Company of ¤ 136,198,400 is to be increased by ¤ 8,011,670 up to ¤ 144,210,070 by the issue of up to 6,267,835 new bearer ordinary shares and by the issue of up to 1,743,835 new bearer preference shares with no voting rights, each with an imputed share in the capital of ¤ 1. The capital increase is to be calculated so that there are no rounding differences. The preference shares with no voting rights will have the same rights as set out in the Company's articles of association as previously issued preference shares. The new shares are fully entitled to dividends for 2000/2001.

The capital increase is to be made by means of distribution and reinvestment. Hence the cash for the capital increase can be paid in out of the amounts paid out as a result of the resolution on recommended dividends in item 2 of the agenda. The amount relating to the capital increase is approximately the same as the special dividend recommended in item 2 on the agenda. The pre-emptive rights relationship will result from the ratio of the amount of capital increase and the issue price of the new shares to the current capital of ¤ 136,198,400.

The new issue of up to 8,011,670 shares will probably be underwritten in August 2000 by a consortium of banks at par value, with the requirement that new ordinary shares will be offered to the holders of old ordinary shares, and new preference shares to the holders of old preference shares under pre-emptive rights conditions for the ordinary shares and preference shares at prices still to be determined.

The pre-emptive rights deadline is foreseen for the end of August or middle of September 2000. The pre-emptive rights for holders of shares of one type of share cannot be transferred to shareholders of the other type of share.

The executive board is empowered, with the approval of the supervisory board, to decide on further details regarding the capital increase (issue amount, rights discount and issue price) and how it is to be carried out. The supervisory board is empowered to adjust the articles of association to reflect the number of shares to be issued.

We report as follows on item 5 in accordance with § 186 para. 4 sentence 2 Stock Corporation Law:

Report to the annual general meeting:

The application for a capital increase for cash under item 5 includes the provision that the pre-emption rights of the holders of shares of one type are not transferred to shares of the other type. By this means the existing shareholder structure is to be retained and the relationship of the shareholder groups to one another will be maintained. The executive board and supervisory board will give due consideration to their market prices when determining the rights issue price of the new ordinary shares and preference shares.

The capital increase is made by means of distribution and reinvestment, so that the cash contribution can be made out of the special dividend to be approved under item 2 of the agenda.

Item 6 on the agenda:
Mr. Hans-Georg Andreae, Münster has declared that he will resign his supervisory board membership at the end of the annual general meeting on August 24, 2000.

In his place, the supervisory board recommends the election as a shareholder representative on the supervisory board of

> Ulrich Müller, 04626 Illsitz,
> chairman of the association of Sächsisch-Thüringischer Zuckerrübenanbauer e.V., Zeitz,

for the remaining period of office of the current supervisory board, i.e. until the end of the annual general meeting which ratifies the acts of the supervisory board for 2001/2002.

Ulrich Müller (59), Diplom-Landwirt, studied at the university of Jena and has been working in large farming operations since 1964. He has been chairman of the agricultural co-operative "Altenburger Land" Dobitschen eG since 1990. In 1990 he was deeply involved in the formation of association of Sächsisch-Thüringischer Zuckerrübenanbauer e.V., Zeitz, whose chairman he has been since that date.

He is a member of the following statutory supervisory boards or other similar domestic and foreign boards of business enterprises:

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

As set out in § 96 para. 1 and § 101 para. 1 Stock Corporation Law, as well as § 1 para. 1 and § 7 para 1 Employee Representation Act the supervisory board is made up of ten members elected by the annual general meeting and ten elected by the employees in accordance with the Employee Representation Act. The annual general meeting is not bound to accept recommendations when electing the shareholders' representatives.

Item 7 on the agenda:
The supervisory board proposes that KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Mannheim be appointed auditors for 2000/01.

DEPOSIT OF SHARES

Ordinary and preference shareholders are entitled to attend the annual general meeting and to exercise their ordinary share voting rights on condition that they deposit their shares by August 17, 2000 at the latest, either with the company or a securities depository, with a German notary public or at branches of the banks listed below and leave them in the safe custody of these depositories until after the annual general meeting:

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

If shares are deposited with a notary public or securities depository, the original certificate of deposit or a notarized copy thereof must be submittted to the company by August 18, 2000 at the latest. Shareholders shall be deemed to have deposited their shares in the proper manner if shares are held at another bank with the agreement of an officially-recognized depository until the annual general meeting has been concluded.

We advise shareholders who are still in possession of old Deutsche Mark nominated shares that these have been declared invalid and that shareholders may only attend the annual general meeting if they have already exchanged their old shares for valid shares of no par value.

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

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

Mannheim, July 2000

SÜDZUCKER AKTIENGESELLSCHAFT
Mannheim/Ochsenfurt
The executive board

Supervisory board and executive board**

Supervisory board

Stephan Freiherr Zobel von Giebelstadt zu Darstadt
Honorary chairman
Ochsenfurt

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

Hans-Georg Andreae
Chairman
Münster

Chairman of the Association of Süddeutscher Zuckerrüben-anbauer e. V.

Franz-Josef Möllenberg*
Deputy chairman
Rellingen

Chairman of the Food and Catering Union

Dr. Ulrich Weiss
Deputy chairman
Kronberg/Taunus

Former member of the executive board of Deutsche Bank AG

Ulrich Ambold*
Nuremberg

Dipl.-Kaufmann
Schöller Lebensmittel GmbH & Co. KG
from 24.08.2000

Erwin Berger*
Munich

Former state area chairman of the Food and Catering Union to 18.03.1999

Karl Bös*
Ratingen

Fitter
Eismann Family, Mettmann

Günter Denzig*
Witten

Personnel spokesman
Eismann Family, Mettmann

Helmut Drescher*
Wattenheim

Chairman of the works council
Südzucker AG, Mannheim

Hartmut Eklöh
Hagen

Former member of the executive board of Douglas Holding AG

Walter Erhard*
Regensburg

Arc welder
Südzucker, Regensburg

Paul Freitag
Oberickelsheim-Rodheim

Chairman of the Association of Fränkischer Zuckerrübenbauer e. V.

Dr. Hans-Jörg Gebhard
Eppingen

Chairman of the Association of baden-württembergischer Zuckerrübenanbauer e. V.

Hans Hartl*
Ergolding

State area chairman of the Food and Catering Union from 18.03.1999

Dr. Christian Konrad
Vienna

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

Jörg Lindner*
Hamburg

Divisional officer
Food and Catering Union

Erich Muhlack*
Regensburg

Manager of the Südzucker Plattling, Rain and Regensburg works

Reiner Schulz*
Römstedt

Chairman of the works council
Schöller Lebensmittel GmbH & Co. KG,
Uelzen works
from 24.08.2000

Richard Schwaiger
Aiterhofen

Chairman of the Association of bayerischer Zuckerrübenanbauer e. V.

** Employee representative*

*** A listing of other board memberships is set out on page 91 of the annual report.*

Dr. Bernd Thiemann
Kronberg/Taunus

Chairman of the executive board of DG BANK Deutsche Genossenschaftsbank

Edwin Vetter*
Nuremberg

Chairman of the works council Schöller Lebensmittel GmbH & Co. KG to 24.08.2000

Peter Weber*
Oberasbach

Deputy chairman of the works council Schöller Lebensmittel GmbH & Co. KG to 24.08.2000

Ernst Wechsler
Westhofen

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

Gerhard R. Wolf
Worms

Former member of the executive board of BASF AG

Executive board

Dr. Theo Spettmann
(Spokesman)
Ludwigshafen

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

Dr. Christoph Kirsch
Weinheim/Bergstraße

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

Dr. Klaus Korn
Ochsenfurt

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

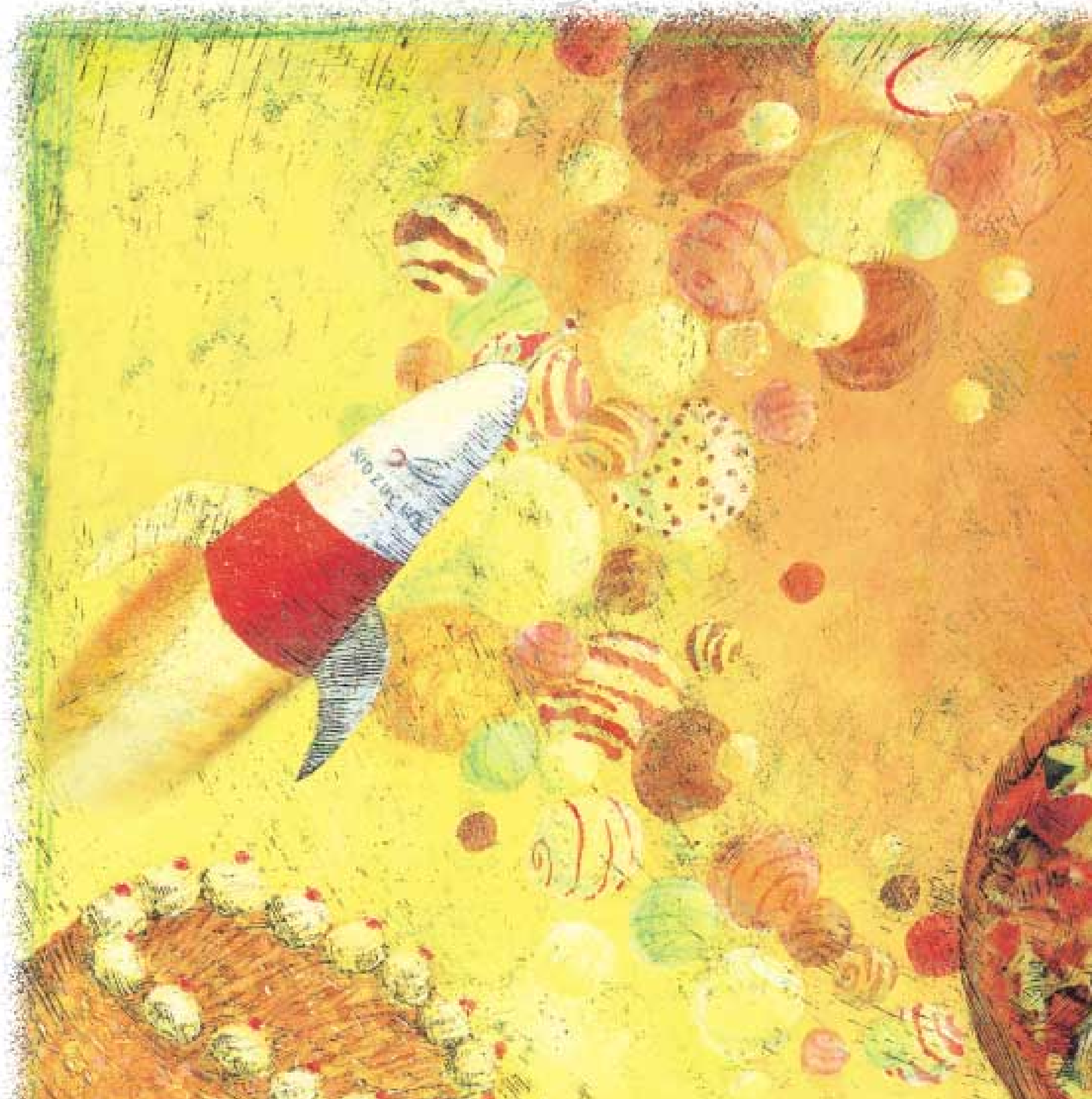
Johann Marihart
Vienna

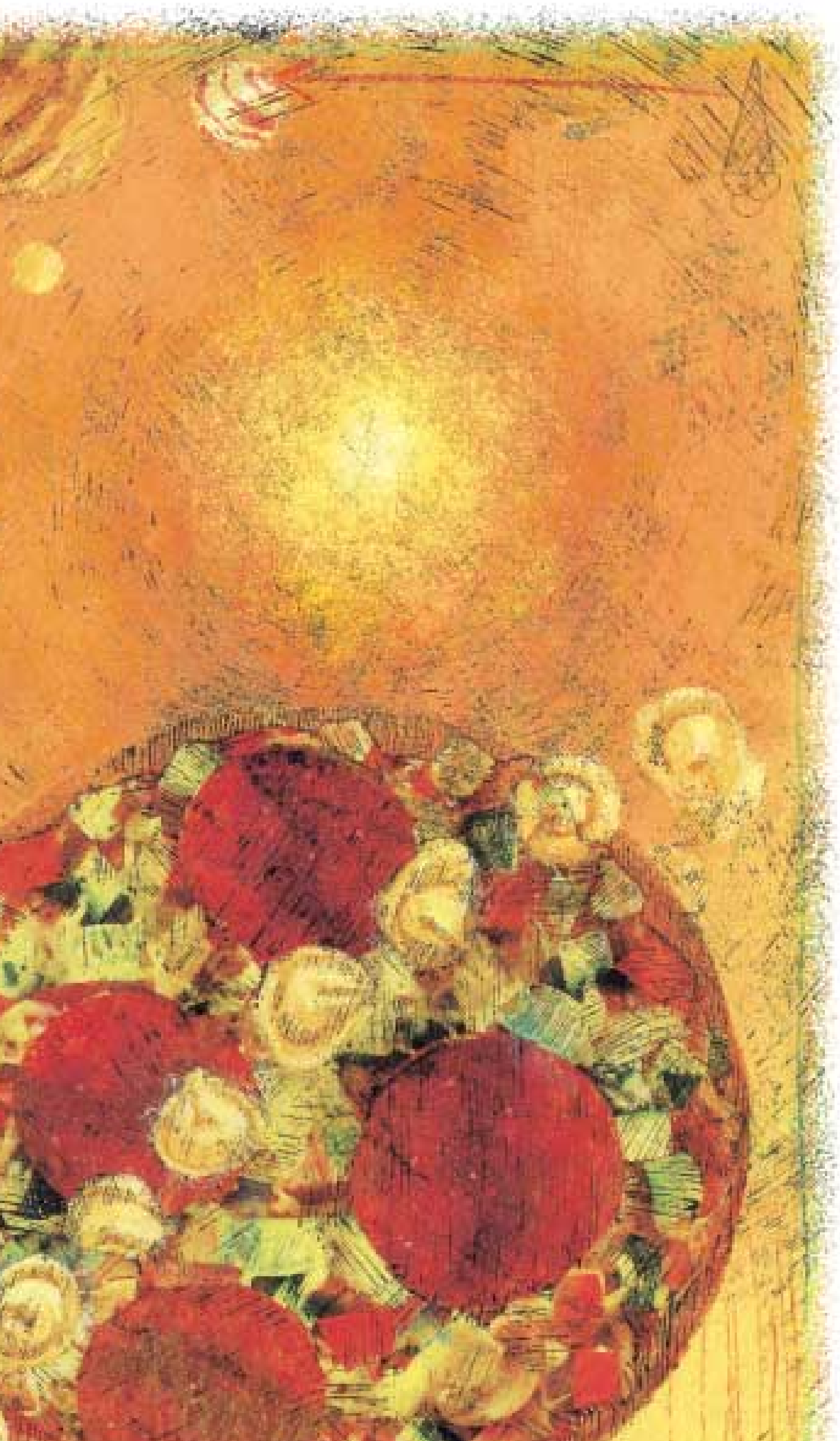
Raw material crops
Starch

Dr. Rudolf Müller
Ochsenfurt

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

The Solar System of the South





Other tasty galaxies majestically orbit around the sugar star, with celestial bodies of various gravitational pulls. The Solar System of the South includes, based on discoveries made so far, the planet of Pizza with its tortellini rings, the Ice Creamy Way, and a cake moon.
The Südzucker Enterprise is constantly on the search for undiscovered novas to boldly forge new flavor alliances.

Management report of the executive board

Südzucker Group and Südzucker AG

Dear shareholders,

In 1999/2000 Südzucker Group was able to prove convincingly that it is also able to increase its profitability under difficult conditions. Group earnings after tax in accordance with IAS rose by 24 % to ¤ 174 million (¤ 140 million)*. Group sales remained at ¤ 4.5 billion and did not increase as forecast as, amongst other things, planned acquisitions in the Polish sugar industry were further delayed due to the privatization process.

For the food industry as a whole, 1999 was a year marked by ongoing structural infighting within the retail food industry, together with continuing intense price competition. Südzucker Group was directly or indirectly affected by these problems in all its group activities. One-time special influences such as the dioxin problem, which partly affected consumer buying patterns and exports, and the effects of the earthquake in Turkey also had to be dealt with. In the light of this, it is especially satisfactory to be able to report that, overall, the operating profits of the Group improved to ¤ 329 million (¤ 308 million).

It is our aim to increase the value of our Company to the benefit of our shareholders, customers and staff. In the interests of our shareholders we have prepared the group financial statements in accordance with International Accounting Standards (IAS) for the first time for 1999/2000. The use of international accounting policies helps to improve the transparency and comparability of the results of operations and assets and liabilities. At the same time, we have also converted our figures into Euro.

We aim to satisfy the needs of our customers by being particularly service-minded. In line with our corporate strategy, we are continuing to work on strengthening and, where possible, expanding our position on European markets. We seek to establish market positions with our special products to be successful globally. With the Palatinit and Orafti® product ranges and the starch division of AGRANA, the Austrian company, we have achieved an increase of 14 % in turnover for these speciality areas. These markets will make an important contribution to further growth. At the same time, we are also working towards complementing our product platform with new solutions and applications. We can achieve this through internal development work, although we continue to look for acquisition opportunities in our core businesses. We concentrate our attention on food activities which show above-average potential for growth and, where possible, are insensitive to fluctuations in the economy. A further criterion in selecting our operating activities is the strategic objective of achieving a leading competitive position over the medium and long term.

As well as pursuing this growth strategy, we have installed systems which enable us to identify and quantify measures to achieve rationalization and cost savings. Our holistic view of markets, production structures and costs sets the direction for the continuation and further development of the Group.

We are dissatisfied with the Südzucker share price. It does not adequately reflect the Group's earnings capacity, profit potential and good growth opportunities.

The Südzucker Group is prepared to face up to its historic responsibilities and, in February 2000, joined "Remembrance, responsibility and the future", a foundation initiated by German industry.

All strategic business divisions in our two segments, sugar/sweeteners and ice cream/frozen food, are involved in attractive markets which continue to offer considerable opportunities for growth. We are well equipped to work successfully in our existing markets and take advantage of the potential for internal and external growth.

Sincerely,
SÜDZUCKER AG Mannheim/Ochsenfurt
The executive board

Highlights from the group financial statements

First group financial statements in accordance with IAS

The group financial statements for 1999/2000 were prepared for the first time using International Accounting Standards (IAS). The previous year's figures for 1998/99 were adjusted to IAS in order to ensure comparability.

Shareholders' equity, which amounted to ¤ 0.9 billion at 28.02.1999 in accordance with German accounting principles, increased to ¤ 1.6 billion due to the IAS requirement to recognize goodwill on the balance sheet which had previously been offset against reserves, to value inventories at full production cost and to increase net book values of non-current assets. Hence, the ratio of shareholders' equity to total liabilities and shareholders' equity amounted to 33.8 % at February 28, 1999 (German accounting principles: 24.2 %). IAS-based earnings for 1999/2000 increased by ¤ 34 million, or 24.2 %, to ¤ 174 million. IAS earnings for 1998/99 amounted to ¤ 140 million, compared with ¤ 158 million shown in accordance with German accounting principles for that year. The decrease is due to the fact that IAS does not recognize income from the release of untaxed reserves and amortization of goodwill was charged against the income statement for the first time.

Group sales at the same level as the previous year

Group sales remained at ¤ 4.5 billion (¤ 4.5 billion).

The sugar/sweeteners segment achieved unchanged revenues of ¤ 2.8 billion (¤ 2.8 billion), or 63 % of total group sales. Südzucker and AGRANA were able to increase their sugar sales volumes in the past year, whereas Raffinerie Tirlemontoise had lower quantities for export due to the poor campaign. The Palatinit and Orafti product lines were particularly successful and, together with the starch segment of AGRANA, the Austrian group, could increase sales by ¤ 33 million, or 14 %, to ¤ 270 million (¤ 237 million).

In the ice cream/frozen food segment turnover also remained at the same level as the previous year, at ¤ 1.7 billion (¤ 1.7 billion). This result is particularly satisfactory, as it was achieved in an environment of pressure on revenues through competition and price wars in the retail food industry as well as one-time special factors which dampened turnover. The growth of ice cream sales abroad and increased turnover in the frozen food area contributed to the fact that the drop in sales due to the disposal of the seasonal bakeries division could be more than offset.

Group operating profits rise by 7.1 %

Group operating profits were 7.1 % higher than for the previous year, at ¤ 329 million (¤ 308 million). Furthermore, the effects on income of restructuring and special items also improved. In the previous year there were considerable restructuring expenses at Schöller Group, which only recurred to a minor extent this year, particularly in eastern Europe. Group net earnings for the year in accordance with IAS were 24.2 % higher than comparable earnings for the previous year, at ¤ 174 million (¤ 140 million).

In the sugar/sweeteners segment operating profit levels for the previous year were almost reached, at ¤ 271 million (¤ 276 million). The results were negatively affected by the decline in world market sugar prices. As a result, the production and supplementary levies which have to be withheld by sugar companies in order to finance the EU's market regulation policies increased to an unexpectedly high level.

*) The numbers in brackets relate to the previous year.

Management report of the executive board

Südzucker Group and Südzucker AG

In the ice cream/frozen food segment it was possible to increase operating profits by ¤ 26 million to ¤ 58 million (¤ 32 million) despite the negative effects of several significant exceptional items. This was mainly due to disposals made in the bakeries division and cost savings by concentrating production, reducing selling costs and tapping into further synergies within the Group.

Balance sheet and cash flow statement

Total assets at February 29, 2000 increased by ¤ 89 million to ¤ 4.7 billion and shareholders' equity rose by ¤ 66 million to ¤ 1.6 billion. Hence, the ratio of shareholders' equity to total liabilities and shareholders' equity at February 29, 2000 increased to 34.6 % (33.8 %). Non-current assets of ¤ 2.5 billion are 127.4 % financed by medium-term and long-term capital. Net financial borrowings were ¤ 623 million (¤ 633 million), slightly lower than for the previous year. With cash flow from operating activities of ¤ 472 million (¤ 464 million), ¤ 320 million (¤ 447 million) were used for investing activities. Capital expenditures on non-current tangible and intangible assets totalled ¤ 233 million (¤ 238 million), mainly for items connected with rationalization and replacements. ¤ 117 million (¤ 114 million) related to the sugar/sweeteners segment and ¤ 116 million (¤ 124 million) to the ice cream/frozen food segment. The investments in financial assets of ¤ 87 million strengthened the activities of the Portion Pack Group, Südzucker AG's involvement in Poland was expanded and minority interests in AGRANA, the Austrian company, were bought out.

Südzucker AG financial statements and recommendation for appropriation of profits

Südzucker AG's net earnings for the year increased to ¤ 167 million (¤ 93 million). The executive board and supervisory board recommend to the annual general meeting for 2000 that a cash dividend of ¤ 0.34 per ordinary and ¤ 0.38 per preference share be distributed. As a result of the corporate tax reform, which foresees a transfer of retained earnings which have been taxed at 45 % (EK 45) to lower-taxed equity (EK 40), we also recommend that our shareholders approve a special distribution of ¤ 0.53 per share at the annual general meeting. This is also required in the light of plans by the federal government to change the taxation of shareholders from 2001 by no longer giving them a tax credit on dividends.

In addition to the normal dividend of ¤ 47.5 million this special dividend of ¤ 72.2 million will be paid out of net earnings for the year of ¤ 167.2 million. ¤ 47.5 million will be transferred to reserves. The special distribution is intended for reinvestment in the company by means of a capital increase to be approved at the annual general meeting (distribution and reinvestment).

Related parties

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

Campaign at the Offenau works.

Sugar Stars

In the heart of the sugar stars is a group of crystalline planetoids that are so close together they form a sugar star cloud. Their surfaces are adorned with picturesque sugar cones and craters. The four largest stars of this cloud are "Jelly", "Powder", "Rock" and "Hailstone" and enter into multiple formations. The resulting energy fields are mostly dice-shaped and distort the saccharine continuum consisting of so-called candicos squares.

Sugar/sweeteners segment

Overview

The sugar/sweeteners segment includes the sugar activities of Südzucker AG, Südzucker GmbH and Südzucker International, the Raffinerie-Tirlemontoise Group and the AGRANA Group, together with Palatinit Süßungsmittel GmbH.

Sugar/sweeteners

- Sugar operations Südzucker AG
  - Südzucker GmbH, Zeitz — 100 %
  - Raffinerie Tirlemontoise S. A., Brussels — 75.1 %
    - Orafti operations
    - Portion Pack Europe Holding B. V., Oud Beijerland
    - Hottlet Sugar Trading S. A., Berchem
    - Surafti operations
  - AGRANA Beteiligungs-AG, Vienna — 43.2 %
    - AGRANA Zucker- und Stärke AG, Vienna
    - AGRANA International AG, Vienna
  - Palatinit Süßungsmittel GmbH, Mannheim — 100 %
  - Südzucker International GmbH, Ochsenfurt — 100 %
- Agricultural division Südzucker AG
  - Feedstuff division Südzucker AG
  - KWS SAAT AG, Einbeck — < 25 %
  - BGD Bodengesundheitsdienst GmbH, Mannheim — 100 %
  - Regensburger Komposterde Vertrieb GmbH, Regensburg — 100 %

Südzucker AG, Südzucker GmbH and Südzucker International operate a total of twenty sugar factories of which 14 are located in Germany, two in Poland and four in Moldova. The successful activities with Isomalt, the sugar substitute, are carried out by Palatinit Süßungsmittel GmbH. Südzucker is also directly responsible for the agricultural and feedstuffs division, BGD Bodengesundheitsdienst, which is an advisor in fertilisation and KWS Saat AG, Einbeck.

In addition to its sugar activities, Raffinerie Tirlemontoise, the Belgium company, has been particularly successful on the food ingredients market. As well as bakery additives and bakery assortments, these include in particular the expanding functional food products division and small portion packs for the gastronomy and large user sectors. AGRANA Group, the Austrian company, is involved in sugar and starch. It operates a total of thirteen sugar factories, of which three are in Austria and further factories are located in Romania, Slovakia, the Czech Republic and Hungary. In addition, Südzucker holds further investments in two Polish and one Moldovan sugar refinery which are not consolidated.

Growth of special products

With sales of ¤ 2.8 billion (¤ 2.8 billion) the sugar/sweeteners segment had an unchanged 63 % share of Group sales. Südzucker and AGRANA could increase their volumes of sugar sales in the past year, whereas Raffinerie Tirlemontoise had lower export quantities available due to the poor campaign.

Isomalt and Orafti and AGRANA's starch division performed particularly satisfactorily and overall they increased their sales by ¤ 33 million, or 14 %, to ¤ 270 million (¤ 237 million).

Operating profits of the sugar segment of ¤ 271 million (¤ 276 million) almost reached the previous year's level. Results were negatively affected by the drop in world market sugar prices. As a result, production and supplementary levies withheld by sugar companies in order to finance the EU market regulation increased to an unexpectedly high level.

A good campaign and timely hedging of energy prices against higher market prices led to a decline in campaign costs. Despite the high production of sugar the campaign lasted only as long as in the previous year.

The Isomalt and Orafti product divisions, which contribute an ever-increasing part of operating profits to the sugar/sweeteners segment, could repeat their market success and achieved over-proportional growth. Operating profits of Portion Pack Europe also increased strongly.

This division's market position was strengthened and its cost structures improved by the acquisition of Elite and Akvina, two manufacturers specializing in packaged portion articles.

Operating profits also increased in eastern Europe. National sugar markets stabilized in this region during 1999/2000. Cost savings were achieved by closing a factory in Hungary and in the Czech Republic.

AGRANA over-proportionately improved profits in its starch division. Expansion of capacity for production of niche starch products over the few past years is now bearing fruit.

Key figures for the sugar/sweeteners segment

	1999/2000	1998/99
Sales	¤ 2,830 million	¤ 2,836 million
Operating profit	¤ 271 million	¤ 276 million
Capital expenditures	¤ 117 million	¤ 114 million
Investments in financial assets	¤ 82 million	¤ 143 million
Average number of employees during the year	13,121	9,855

Sugar division

Global market

High inventory levels put pressure on the global market

On the global sugar market over-production, which has now continued for many years, has caused inventories to increase further. Stocks now total 60 million tonnes and cover six months of consumption. There has been an excess of almost 20 million tonnes of sugar from the past five sugar campaigns alone. Led by Brazil, those countries producing cane sugar have expanded their production and export quantities dramatically. With a record harvest of 18.0 million tonnes (16.4 million tonnes) the EU also contributed to the increase in inventories over the past year.

This over-capacity led to a record low price in April 1999. In many regions this price does not even cover costs, so that companies in sugar-exporting countries, such as Thailand, have run into financial difficulties. This is also the case for certain parts of the upstream sugar business.

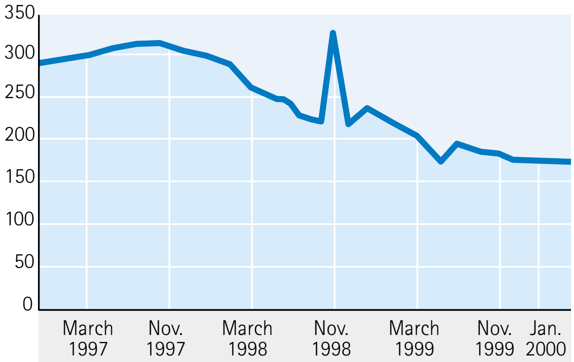
With extremely low sugar prices, consumption of sugar increased by 2 %. In eastern Europe sugar consumption declined.

In Russia, imports of sugar-based goods from the EU came to a halt. However, this gap has not yet been filled by the domestic industry which, together with high levels of sugar imports, has led to an increase in inventories. Nevertheless, there are grounds for cautious optimism for the next campaign.

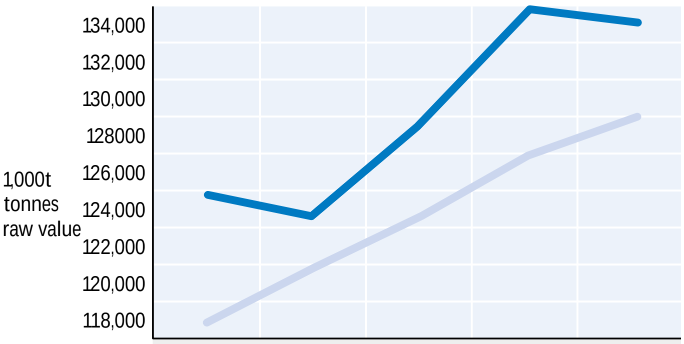
An expected decline in sugar production of five million tonnes in Brazil and a reduction of the area under cultivation in the EU are optimistic signals, but it will be years before there is a significant reduction in inventories.

Global market prices for sugar March 1997 – February 2000

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



Global sugar production and consumption



	1995/96	1996/97	1997/98	1998/99	1999/2000[1]
Global sugar production[2]	125,521	124,041	127,980	135,034	134,562
Global sugar consumption[2]	117,790	120,943	123,717	126,786	129,230
Beet sugar as a percentage of total production (%)[3]	29.6	30.6	30.4	27.8	27.5
Inventories at August 31 as a percentage of consumption (%)[2]	38.7	38.6	40.0	44.5	46.5

[1] Estimate

[2] F.O. Licht's Europäisches Zuckerjournal No. 7 dated 1.3.2000 "Second Estimate of Global Sugar Levels 1999/2000"

[3] F.O. Licht's Europäisches Zuckerjournal No. 5 dated 2.2.2000 "Second Estimate of Global Sugar Production 1999/2000"

European Union

Market regulation ensures stability

The EU agricultural ministers approved a roll-over for 1999/2000. In line with the recommendation of the EU commission this means that beet and sugar prices remain unchanged for the sugar year 1999/2000, and thus have stayed stable for the seventh year in a row.

As recommended by the commission, the storage levy was set by the council of ministers at ¤ 0.33 per hundred kilos and month, representing a reduction of ¤ 0.05, or 13.2 %, compared with the previous levy rate.

As expected, the administrative committee for sugar for the 1998/99 sugar year resolved to introduce a supplementary levy of 16.5 %. For the current 1999/2000 sugar year the maximum amount of 39.5 % of the net intervention price must again be expected and, furthermore, the commission has estimated the amount of supplementary levy will be less than 26 %.

Following the annual check by the commission of subsidies for exports for sugar, which is required as part of the agricultural agreement with the world trade organisation (WTO), no action was taken for the 1999/2000 sugar year. For the 2000/01 sugar year, i.e. for production for 2000, it should be assumed that a declassification, being a change from quota sugar to non-quota sugar, will come into effect for the first time. Initial specific indications point to an EU-wide 700,000 tonnes of quota sugar.

For 2000/01 the EU commission approved agricultural pricing recommendations on February 23, 2000 and passed these to the council of ministers for debate. For the sugar sector the commission recommends that beet and sugar prices, together with the monthly storage levy, should remain unchanged. A decision by the council of ministers is still pending.

The area of beet under cultivation in the EU declined in 1999 by 2 % to 1.965 million hectares (2.005 milllion hectares). However, due to the considerably higher than average beet and sugar yield per hectare, sugar production in the EU reached 17.986 million tonnes (16.405 million tonnes), or 9.5 % above previous year's levels. Current estimates made by the commission for 2000/01 show 1.6 million tonnes of C-sugar carried forward (1.34 million tonnes). Based on the record campaign of the previous year, the development of world market prices, WTO II and the expected declassification, the area of beet under cultivation is expected to decline to 1.829 million hectares. Preliminary negotiations for the next WTO round in Seattle at the end of last year produced no results.

The EU and its 71 partner countries in Africa, the Caribbean and Pacific (ACP states) agreed at the beginning of February 2000 on a contractual follow-up agreement for the expiring Lomé-IV treaty. The new agreement has a term of twenty years and includes a financial protocol.

EU sugar markt

	1999		White sugar value 1999		
Countries	Area under beet cultivation 1,000 ha	Sugar yield t/ha	Basis quota 1,000 t	Sugar production 1,000 t	Sugar consumption 1,000 t
Germany	490	8.90	2,638	4,380	2,838
France	400[1]	11.50[1]	2,996[2]	4,882[2]	2,150
Italy	273	6.23	1,320	1,701	1,435
The Netherlands	115	9.72	690	1,118	623
Belgium/Luxembourg	104	10.50	680	1,092	521
Denmark	64	8.64	328	553	238
Ireland	33	6.42	182	212	136
Great Britain	161	9.50	1,040	1,530[4]	2,124
Greece	40	5.80	290	232	310
Spain	137	8.17	960	1,113	1,240
Portugal	8	8.00	73[3]	76	332
Austria	47	10.15	317	501	310
Finland	34	4.74	133	166	210
Sweden	59	7.29	336	430	377
EU–15	**1,965**	**8.98**	**11,983**	**17,986**	**12,844**

Source: Directorate-General for Agriculture, Brussels
[1] Excluding overseas "departements" [2] Including overseas "departements"
[3] Incl. the Azores [4] Sugar beet. Including approx. 1.6 million tonnes of ACP preferential sugar, overall production amounted to 3.1 million tonnes

Sugar/sweeteners

Sugar division

"Green week" in Berlin, January 2000: sugar was a theme at the special trade fair organized by the federal ministry of food, agriculture and forestry.

In addition to compliance with GATT requirements, a decision has to be made during the year on whether to prolong the EU sugar market regulation, whose quota regulations expire on June 30, 2001. We are convinced that the well-tried EU sugar market regulation system will be continued along the same lines. The sugar market regulation system, which is entirely financed by the production levy, ensures a reliable framework within which sugar beet farmers can add their contribution to the value added chain, maintain the cultural landscape and be an efficient and reliable partner for their sugar customers.

Germany

In Germany, sugar production for 1999/2000 reached a record 4.380 million tonnes (4.037 million tonnes). The increase of 8.5 % compared with the previous year is primarily due to a 5.3 % increase to a 17.96 % sugar content and the increase of 3 % in beet yield to 27.578 million tonnes. The area under cultivation declined by 2.5 % to 488,561 hectares (500,573 hectaes).

Total sales volumes in the 1998/99 sugar year remained at 4.242 million tonnes (4.222 million tonnes), the same level as the previous year, with also stable domestic sales of 2.838 million tonnes (2.870 million tonnes).

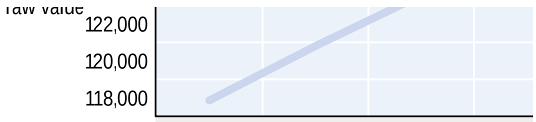
No herbicide-resistant varieties of beet before 2003

The federal registration office had not yet given its approval for genetically-engineered, herbicide-resistant sugar beet. It is currently estimated that these varieties will not be available for use in production before 2003. Whether or not genetically-engineered varieties of beet will be planted for sugar yield purposes cannot be decided before 2003.

Performance of the companies

Sugar group increases production by 16 %

At Südzucker Group's thirty-eight works a total of 3.6 million tonnes of sugar (3.1 million tonnes) were produced from 23.4 million tonnes (21.2 million tonnes) of beet. This jump of 16 % in production resulted from an increase in the amount of beet under cultivation to 409,400 hectares (376,300 hectares) and a sharp increase in sugar content. A comparison of the sugar group divided into EU and eastern European locations shows a production increase to 3.2 million tonnes (2.8 million tonnes) in the EU factories and an increase to 437,800 tonnes (298,900 tonnes) in the eastern European works. There were significant differences in the average campaign period, which was 89 days (87 days) in the EU factories and 64 days (85 days) in the eastern European works.



	1995/96	1996/97	1997/98	1998
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"Second Estimate of Global Sugar Levels 199
[3] F. O. Licht's Europäisches Zuckerjournal No. 5 (
"Second Estimate of Global Sugar Production

Beet harvest and campaign

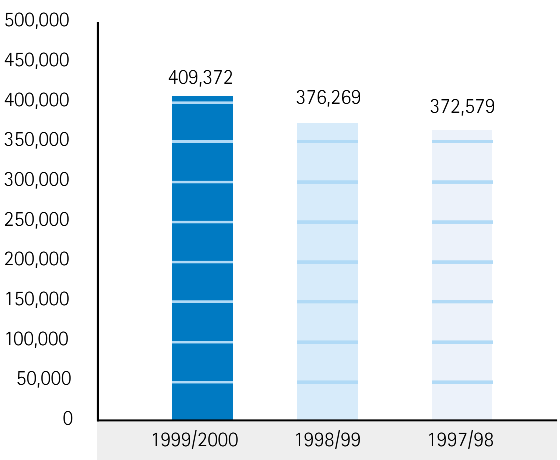
In Germany vegetation growth and the campaign itself benefited from the weather conditions. By using state-of-the-art harvesting and cleaning technology throughout the company it was possible to achieve a successful reduction in earth cling to 7.5 % and 7.6 % at Südzucker AG and Südzucker GmbH.
In the German factories a total of 1.83 million tonnes of sugar (1.69 million tonnes) were produced from 11.6 million tonnes of beet (11.4 million tonnes) with a sugar content of 18.18 % (17.07 %). Beet production was almost entirely trouble-free at the Südzucker AG and Südzucker GmbH works. The beneficial situation on the market for primary energy and a further reduction in energy use at most factories were positive factors.

In Belgium the increased beet area under cultivation together with an improvement in sugar content to 17.13 % (16.57 %) led to a jump in sugar production at Raffinerie Tirlemontoise to 826,200 tonnes (600,600 tonnes). Processing at the works was trouble-free, despite a longer period of frost in November.

In the area under cultivation of the AGRANA Austrian sugar factories and despite a reduction of 5 % in the area under production, a total of 501,100 tonnes (490,400 tonnes) of sugar was produced due to the good beet yield and an increased sugar content to 16.97 % (16.44 %).

The ten sugar factories operated by AGRANA International in Hungary, the Czech Republic, Slovakia

Group area under beet cultivation (ha)



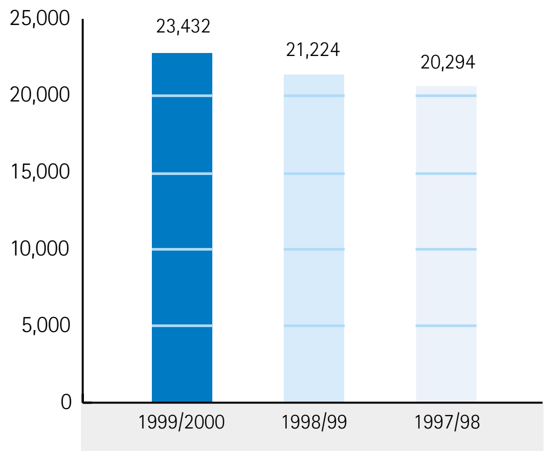
and Romania produced a total of 294,900 tonnes of sugar from beet and 91,700 tonnes of sugar from raw sugar refinery. 157,100 tonnes were produced at the three Hungarian sugar works, more than half of the sugar yielded from beet. The beet area under cultivation in these countries is based on the marketing opportunities for sugar. The beet sugar content is considerably below western European levels, particularly in Slovakia and Romania.

Sugar sales volumes

Südzucker AG and GmbH exceeded the high levels of sales volumes of the previous year domestically and for export by almost 4 % at 1,744,200 tonnes of sugar (1,681,100 tonnes), despite the difficult environment in 1999/2000. This positive result is due to an increase of almost 10 % in the amount of sugar available for export to 631,800 tonnes (575,700 tonnes) and once again an extremely high level of domestic sugar sales of 1,112,400 tonnes (1,105,400 tonnes). A repeated increase in sugar supplies to the sugar processing industry this year was only partly offset by declining sales volumes to the retail food industry and thus in the household sugar area.

In the retail food sector strong competition continued to intensify due to new entrants to the market.

Group beet processing (1,000t)



The sector is attempting to involve its suppliers in the downward price spiral. This situation makes it more difficult for Südzucker as a market supplier with a broad range of sugar products to negotiate successfully with the sugar processing industry.

Sugar and food

In March 2000, scientific food study groups from Germany, Austria and Switzerland published "D-A-CH reference values for food additives". Previously accepted conditions for healthy eating have been adapted to reflect current scientific knowledge. "It is recommended that consumption of sugar be treated moderately" is the current recommendation of scientists. This is a departure from the former strict limitation of sugar consumption and is based on a joint report issued by the world health organisation (WHO) and food and agricultural organisation (FAO). "CARMEN" , a pan-European long-term study, emphasises that a low-fat, weight-reducing diet permits greater consumption of sugar.

Increasing globalization and concentration in the retail food sector also affected the entire food industry. As part of companies' strategic restructuring, corporate functions such as procurement are being centralized into global key accounts and thus include an international element. This change has also been made at Südzucker, and our sales organisation has been restructured to better adapt to its new tasks. Delivery services and quality management were further expanded to achieve even better customer relationships. Sugar group exports have been co-ordinated into a joint export company.

Growth in sales volumes were partly negatively affected during summer 1999 by the dioxin crises in Belgium and problems at a large drinks producer in Belgium and France. Such situations serve to emphasize the importance of product quality, which is a key part of Südzucker Group's corporate strategy and a vital element of the company's success.

Product safety includes quality management and, increasingly, the areas of job safety and environmental protection, whereby profitability of the operating processes can nevertheless be improved. In addition to the main product, sugar by-products such as pellets, molasses and calcium carbonate are included in the quality management system.

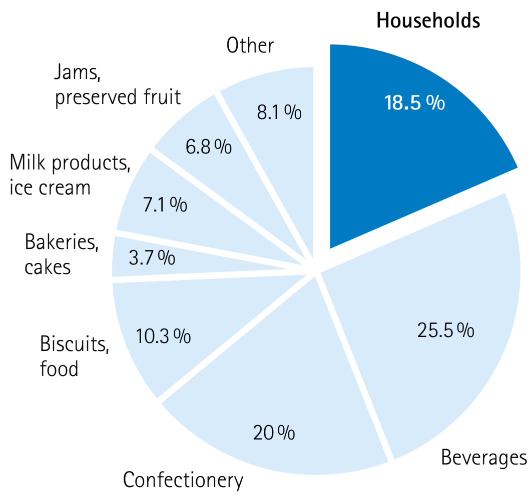
Sugar sales volumes at Raffinerie Tirlemontoise declined by 12 % to 661,000 tonnes (750,000 tonnes) as, due to the lower production from 1998, sugar quantities available for export to third countries were strictly limited. Sugar sales volumes on the EU market were particularly negatively affected for sales to Belgium industrial customers, primarily due to the dioxin crises and problems at a large drinks producer. The trend of households towards ready-cooked meals is also reflected in sales of portion-packed sugar.

This area only amounted to 10 % of the entire sugar sales volume. Exports outside the EU were affected by the small quantities available for export, as already described above, and the unfavourable situation on the world market.

Sugar sales volumes at AGRANA in Austria totalled 498,000 tonnes (492,000 tonnes), the same level as the previous year. Domestic sales quantities were 349,000 tonnes (352,000 tonnes) and exports were 149,000 tonnes (140,000) tonnes. Sugar sales of AGRANA International's subsidiaries reached 391,000 tonnes, so that sugar sales quantities for the entire AGRANA Group amounted to 889,000 tonnes (845,000 tonnes).

In Poland it was possible to stabilize a market affected by oversupply and falling prices by means of an appropriate government law. The quantities available for sale in Poland were reduced by 25 % in 1999 and import restrictions were improved. Despite these measures, the situation of the sugar industry in Poland remained unsatisfactory.

Consumers of sugar in 1998/99 in Germany



Interactive advice via the internet

Together with the south German associations, Südzucker has developed an extensive advisory and information system for beet farmers on the internet (www.bisz.suedzucker.de). The existing internet range of information was supplemented at the end of January 2000 by two interactive dialogue programs covering beet varieties and herbicide advice. An initial evaluation of hits to the internet sites show the extent of farmers' interest in tapping in to the new information system.

Sugar/sweeteners

Sugar division

Garbów sugar works.

Lubna sugar works.

Ropczyce sugar works.

Developments in Poland and Moldova

In Poland and Moldova activities were intensified. Südzucker's companies in Poland reached a domestic quota level of 100,000 tonnes in 1999. The Garbów sugar factory, acquired at the end of 1999, is included in these figures. Negotiations on a further involvement of Südzucker as part of the privatization of Lubliner-Kleinpolnischen Holding and Schlesischen Holding are making significant progress. The required social, farming and investment packages have been approved with Lubliner-Kleinpolnischen Holding, although certain points in the purchase and sale agreement must still be negotiated with the government. Negotiations on the privatization of Schlesischen Holding as a whole were started in November 1999. There has been an overall delay in privatization of the Polish sugar industry, as a body of persons has emerged which supports the formation of a purely Polish sugar company.

In Moldova Südzucker owns four Moldovan sugar factories jointly with the local AgroIndBank, and has a minority interest in another factory. The 1999 campaign was negatively affected by a crop which suffered from poor weather conditions, so that sugar production only reached 60 % of a normal year's yields. A tightening and clear structuring of the organisation, particularly in the areas of procurement, sales and raw materials, together with extensive training and development measures, are improving productivity. This also applies to beet cultivation and technology, where local experts are speeding up the transfer of know-how. Initial successes of these measures have already borne fruit in the 1999 campaign, with a noticeable improvement in the cost situation.

Limiting factors remain the political situation and economic dependency of Moldova on the IMF and World Bank.

Special products division

Palatinit Süßungsmittel GmbH's booth at the Food Ingredients Europe trade fair in Paris, September 1999.

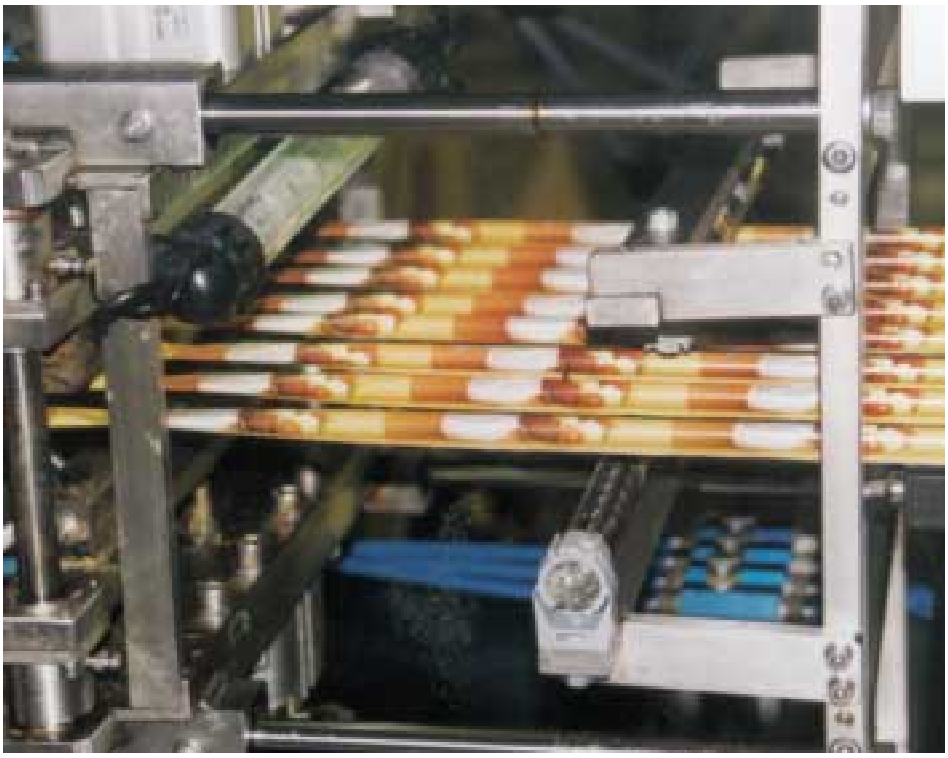
Flourishing functional food
Palatinit Süßungsmittel GmbH, Mannheim was again able to extend its good market position in the area of sugar-free sweeteners with its sugar substitute Isomalt in 1999/2000. However, increasing competition and the currency crises in South America and south-east Asia made conditions more difficult. Sales volumes to confectionery manufacturers, who invested extensively in advertising, grew well. The trend towards functional food products, in which Isomalt is increasingly being used due to its useful physiological properties, is also extending the market for sugar substitutes.

In the past year an expanded Isomalt product range was introduced onto the market, offering confectionery manufacturers application-related solutions and hence giving it a competitive advantage. Ongoing investment in research and development has also led to a continuous optimization of the production process and has thus helped to ensure competitiveness into the future.

With the direct presence of our sales partners in over fifty countries around the world and active participation in the major trade fairs in Asia, America and Europe, the key conditions have been met for ensuring that we are close to our customers and can effectively deliver an extensive range of services to our customers.

The Orafti business division, located in Belgium, continued to show dynamic growth of its functional food products Raftiline® (inulin) and Raftilose® (oligo-fructose). It has proved possible to enter new markets and develop new applications. Both food additives fit excellently with the strongly-growing demand for healthy foodstuffs. The concepts developed by Orafti for pre-biotic and symbiotic applications are used world-wide by the major food companies to give their food products an added health factor. These products received a further boost in demand, because they can be used in many foodstuffs to increase their roughage

Special products division



Portion pack production.

content without changing the taste or quality. In addition, inulin is used in many products as a fat replacement and oligo-fructose is used in almost all European diet yoghurts in order to improve the fruit taste. Orafti was selected by Reuters (London) as by far the most innovative neutraceutical ingredient company.

All activities of the Südzucker Group relating to portion pack articles for the gastronomy industry and large users are combined under the leadership of Portion Pack Europe. New additions include Akvina, a Dutch company, which is mainly involved in individual packaging of cube sugar and Elite, a Belgian firm, which specializes in quality biscuits. The portion pack division has established a strong market position within the EU with its successful product innovations and a wide range of products.

The pastry ingredients division, also led by R.T., with its emphasis on bakery additives, was expanded by the addition of Sugarfayre, a British company, with its decorative products for bakers and pastry makers.

The starch division of AGRANA Austria grew in the past year. A total of 190,000 tonnes of starch was produced, potato-based starch in Gmünd and corn-based starch in Aschach. Sales quantities of starch products could be considerably increased.

Agricultural division

Competence in agricultural matters

The agricultural division of Südzucker AG is the company's oldest activity. Over 150 years ago emphasis was primarily concentrated on agricultural research, and this is still valid today. The interactive nature of the research projects carried out over a number of years by the agricultural division relating to "Soil processing" and "Controlled area crop farming (mosaic)" demonstrated the necessity of taking a holistic view of long-term yields. The resulting modifications to agricultural technology are worked out jointly with the institutions carrying out the research.

In order to support the activities of the sugar group in eastern Europe Südzucker makes its research projects available to interested farmers from this region. This demonstrates the agricultural division's expertise and is a valuable contribution to expanding our business relationships in eastern Europe, as continuously successful farming can only be achieved by using the latest soil processing expertise. With the acquisition of shares in the Polish farm Rolny Kiertrz (Oppeln region, 8,000 hectares) this region will also benefit from our successful field research work which, for example, has led to a doubling of sugar yields per hectare in eastern Germany. In future, the emphasis will be on continuing farming research for sugar beet and corn crops, together with optimizing dairy herd management. At the same time, this also gives us the opportunity of continuing to train our agricultural advisors and managers.

Agricultural division

Loading feedstuffs.

Bagging molasses pellets.

Precision sampling ensures exact locating.

A significant contribution to optimizing farming costs can be made in future by controlled area crop farming. This research project is being carried out by a number of German farming technology companies and is being documented and statistically recorded by working groups, together with the institute of sugar beet research, in small area research projects. The intense interest shown by farmers in both research projects not only confirms the relevance of this research, but also demonstrates the determination of farmers to make their job fit for the future, despite a difficult political background and the continuing gap between prices and costs of farming.

The feedstuffs division markets molasses pellets and molasses, by-products of the sugar production process. Production from the 1998 campaign had been fully delivered by the beginning of the 1999 campaign. Increased demand from the mixed feed industry led to a sharp increase in advance sales for the 1999 campaign on the domestic market compared with the previous year. Overall, the market can be seen as having stabilized. The market for molasses is marked by over-supply. It has been possible to achieve budgeted sales quantities, but revenues remain at an unsatisfactory level.

Pressed pellets were produced at the Südzucker GmbH's works based on marketing opportunities in eastern Germany. Sales of these products remained stable.

Other areas allocated to the segment

Discussions held on-site.

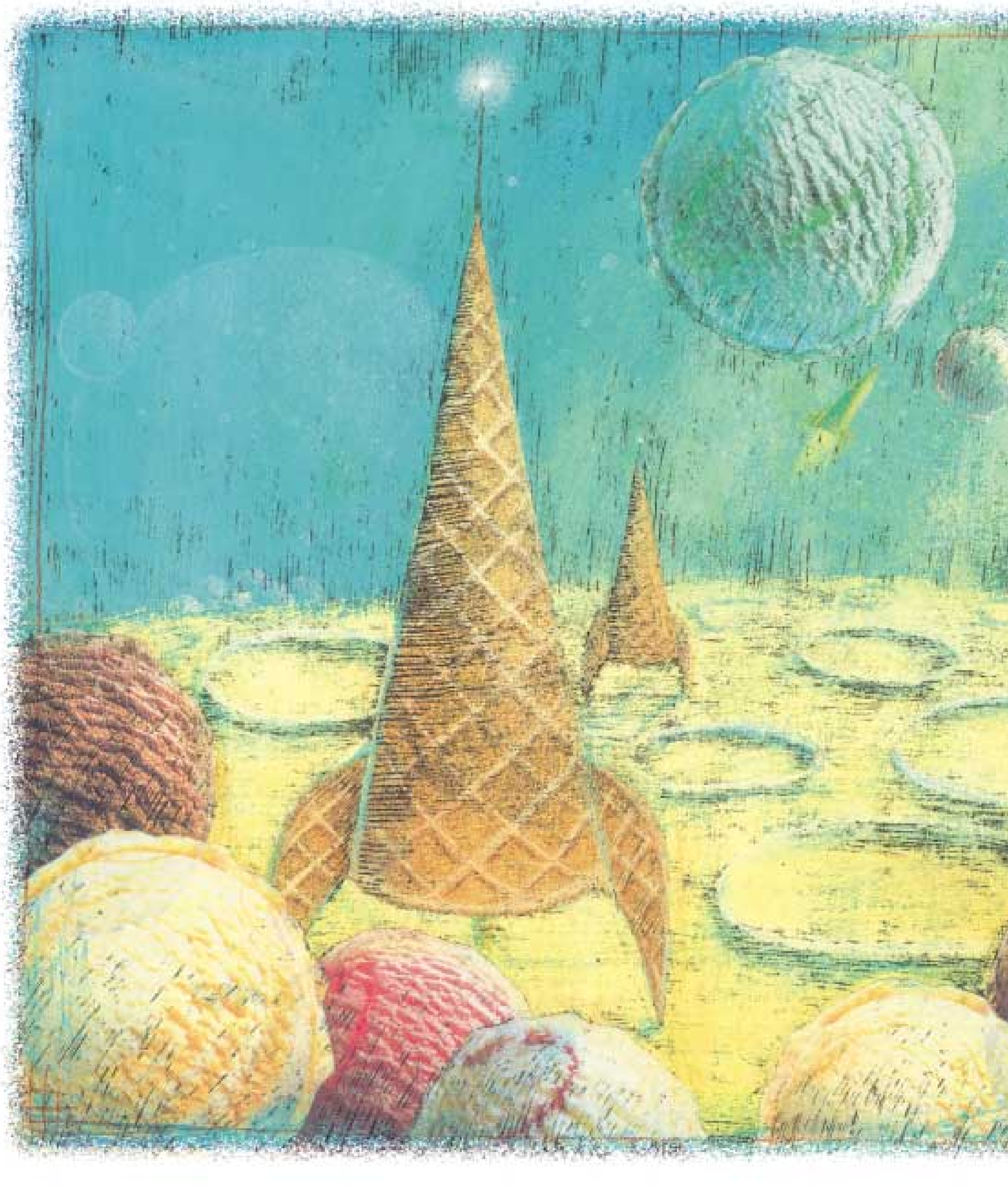
Regensburg compost.

KWS SAAT AG, Einbeck showed overall satisfactory progress in 1998/99 (June 30). Revenues of the KWS Group were in line with the company's expectations at ¤ 331.5 million (¤ 338.9 million), a small decrease of 2.2 % compared with the previous year. Earnings for the year for the KWS Group of ¤ 18.4 million (¤ 18.6 million) were at the same good level as for the previous year.

BGD Bodengesundheitsdienst GmbH, Mannheim continued its success in 1999/2000. Following certification in Saxony, the EUF fertiliser advisory system developed by Südzucker is now officially recognized in all the federal states in which Südzucker operates. Furthermore, the Association of Farming Research Institutes (VDLUFA) has legally recognized EUF access values for the fertiliser ordinance. The EUF method is also entered in the VDLUFA method book.

Regensburger Komposterde Vertrieb GmbH, Regensburg, founded in 1989, has successfully started its jointly-developed concept for composting green waste and fertile beet soil with Regensburg city and has reached an annual volume of 90,000 m^3. In addition to selling compost-based soil, the company also offers high-value substrate for special applications. The most important customer groups are market gardens and country landscapers. A further compost depot was established in Plattling this year and the company was renamed REKO Erdenvertrieb GmbH.

The Ice Creamy Way



Behind the sugar-star cloud and a black bitter chocolate hole are the stars of the Ice Creamy Way. These conspicuously striped planets, known as the "Manhattan Formation" and the colorful "Schöller Cloud", have low surface temperatures. They are favorite stopovers for the slurpoids, a species of wandering connoisseurs that call no planet their home.

Ice cream/frozen food

Overview

The ice cream/frozen food segment includes the activities of Schöller Holding Group, Nuremberg and the Freiberger Group, Berlin. Sales in this segment of ¤ 1.69 billion (¤ 1.67 billion) made up 37 % (37 %) of the overall turnover of the Südzucker Group.

Ice cream/frozen food

- **Schöller Holding GmbH & Co. KG, Nuremberg** 65 %
  - Schöller Lebensmittel GmbH & Co. KG, Nuremberg 100 %
    - Söllmer A.S., Istanbul
    - Kerevitas A.S., Istanbul
  - SCHÖLLER MARKEN GmbH & Co. KG, Nuremberg 100 %
  - SCHÖLLER DIRECT GmbH & Co. KG, Nuremberg 100 %
  - Backwelt GmbH & Co. KG, Nuremberg 100 %
    - Lady Cake – Feine Kuchen GmbH & Co. KG, Duingen
  - Eismann Family GmbH & Co. KG, Mettmann 100 %
    - Eismann International Tiefkühlspezialitäten GmbH, Mettmann
    - Family Frost International Tiefkühlheimdienst GmbH, Mettmann
    - Hjem-IS Europa A/S, Esbjerg
    - Heimfrost Schumacher GmbH & Co. KG, Delmenhorst
  - eurofrost TK-SPEZIALITÄTEN GmbH & Co. KG, Nuremberg 100 %
    - erlenbacher backwaren gmbh, Groß-Gerau
    - GETI WILBA GmbH & Co. KG, Bremervörde
    - Maître Paul B. V., Tilburg
    - MIRSA Rt., Albertisa
- **Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG, Berlin** 100 %
  - Alberto Lebensmittel & Co. KG, Berlin
  - PrimAS Tiefkühlprodukte GmbH, Oberhofen
  - Freiberger Ltd., Spalding
  - Freiberger France S.A.R.L., Saint Didier au Mont d'Or
  - Freiberger Polska Sp.z.o.o., Warsaw
  - Freiberger Lebensmittel GmbH, St. Michael
- **Mönnich GmbH & Co. KG, Kassel** 100 %
- **AIH Agrar-Industrie-Holding GmbH, Mannheim** 50 %
  - Fresenius AG, Bad Homburg v. d. H.
  - VK Mühlen AG, Hamburg

Sales levels retained despite exceptional items

The ice cream/frozen food segment achieved sales of ¤ 1.69 billion (¤ 1.67 billion) over the past year. In addition to the difficult overall market and competitive situation already described, special factors had to be faced, such as the long drawn-out discussion on the definition of self-employed persons, which led to uncertainty amongst our Eismann franchise partners and to considerable problems in ensuring blanket coverage of the German market for home deliveries. Furthermore, the dioxin crisis in the middle of the year led to reductions in sales in almost all companies within the segment and to a restriction of Schöller ice cream production in Belgium. Unfavourable economic developments in eastern Europe and Turkey also hindered progress. The first year for Schöller in Turkey was negatively affected by the political situation, poor tourist trade and the consequences of the earthquake in summer.

Our ice cream of the year for 2000: Schöller-Mövenpick Amarena Cream.

The ice cream and frozen food product groups, making up 42 % and 54 % of segment sales respectively, continued their rigorous progress.
The domestic market was not satisfactory for ice cream in 1999, but this was compensated by increased foreign sales. Overall, sales of ¤ 0.70 billion (¤ 0.69 billion) were reached. Together with improved revenues of ¤ 0.91 billion (¤ 0.88 billion) in the frozen food division, it was thus possible to more than offset the loss of turnover from the disposal of the bakeries business in 1989.

Operating profit rises by 80 %

The operating profits of the ice cream/frozen food segment rose to ¤ 58 million (¤ 32 million) despite significant exceptional items. A main reason for the improvement was the disposal of the loss-making seasonal bakeries business and measures taken to reduce costs and increase efficiencies, which had an increasing impact during the second half of the year. Furthermore, profits increased as Alberto, the Freiberger brand, has now left its market-introduction phase, during which above-average advertising costs were incurred.

Leading position in the market

The companies in the ice cream/frozen food segment were able to maintain their position over the past year in a continuing difficult competitive environment. Increased consolidation within the European retail food industry was a major influence, with substantial price-cutting by our customers, particularly in Germany. Schöller Holding Group is made up of six legally independent divisions. The major part of domestic and foreign ice production of the Group is combined in the production and logistics division. In Turkey, operations commenced in time for the 1999 ice cream season through Söllmer, a company jointly formed by Kerevitas A.S., the leading Turkish frozen food company, and Schöller Holding Group, which has 60 % of Söllmer, and the opening of a newly-constructed factory in Akcalar. There are now three domestic and six foreign ice cream production sites. In addition to ice cream production, the division includes the activities of the Schöller sales companies in western and eastern Europe.

Key figures for the ice cream/frozen food segment

	1999/2000	1998/99
Sales	€ 1,687 million	€ 1,668 million
Operating profit	€ 58 million	€ 32 million
Capital expenditures in tangible non-current assets	€ 116 million	€ 124 million
Investments in financial assets	€ 5 million	€ 66 million
Average number of employees during the year	16,458	15,764

Ice cream/frozen food

Manhattan Crispy, by Schöller.

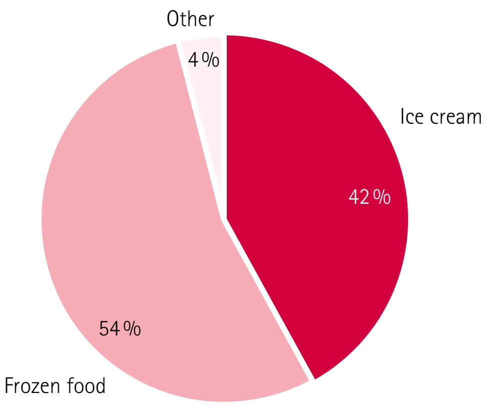
GETI WILBA's tasty pasta squares are made for Eismann.

Sales of ice cream and frozen bakeries to food retailers are concentrated in the brand articles/private labels division. The activities of the wholesale/gastronomy division consist of supplying gastronomy, kiosks, filling stations, swimming pools, etc., as well as wholesalers with a high-value range of ice cream, frozen food and frozen bakeries.

The system brands division groups direct sales of ice cream, frozen food and frozen bakeries. In addition to the European-wide home delivery business under the "Eismann" brand, together with the "Heimfrost" brand for deliveries in Germany, street sales are also carried out Europe-wide by "Family Frost" and the Scandinavian "Hjem-IS Group". The frozen food/frozen pastries division includes the GETI WILBA group, a specialist in poultry, game and ready-cooked meals, MIRSA in Hungary which produces deep frozen fruit and vegetables, and erlenbacher in Groß-Gerau and Maître Paul in Tilburg, The Netherlands, both deep-frozen bakery companies. The long-life bakeries division runs the activities of Lady Cake in Duingen.

The Freiberger Group is one of the leading deep-frozen producers of pizzas, pastas and baguettes in Europe. In addition to an extensive range of private brand names, Freiberger also offers retail food stores a high-value range of brand articles under the "Alberto" brand, which will continue to be extended through product innovation in the future. In order to further strengthen its European market position Freiberger has acquired the Austrian pizza producer PrimAS, Oberhofen in the current year.

Split of sales in the ice cream/frozen food segment



Market development

The European ice cream market moved in different directions in 1999. The major eastern European markets for the Schöller Holding Group of Poland, Hungary , the Czech Republic and Slovakia showed sharp declines in monetary terms compared with the previous year. The Czech Republic and Slovakia were particularly affected. Because of continuing structural change, bringing international retailers' hypermarkets to city centres and causing traditional corner shops to close, monetary sales declines were much higher than the fall in sales volumes. The Polish and Hungarian markets grew slightly in volume. On the other hand, west European markets generally recorded sales growth. Germany, by far the most important ice cream market for the Schöller Holding companies, could increase the volume of ice cream sales by 4.5 % compared with the previous year, which was negatively affected by poor weather, although 1997 volumes could not be regained. Because of the continuing replacement of producer brands by aggressively-priced retailer brands, the market as a whole could only just exceed the previous year's level (+ 0.5 %).

Amarena Cream in the popular 1 litre pack, by Schöller-Mövenpick.

The trend towards private labels is increasing rapidly and was also a feature for the companies within the Schöller Holding Group. According to a Nielsen survey, 25% (1997: 15%) of sales are made with private brands in the German retail food industry.

Consumption of frozen food continues to increase throughout Europe. In Europe outside Germany demand increased further, particularly in Scandinavia, which is traditionally a very high per-head consumer.

Pizzas, pastas and paninos from Alberto, in a new outfit.

Market development

Eismann delivers: everybody's favourite home delivery service.

Family Frost now serves nine European countries - here in Pula, Croatia.

Frozen vegetables from Eismann.

Even though the make-up of product segments varies somewhat from country to country, the largest turnover by quantity are ready-cooked meals and potato-based products, which are also significant growth areas. Markets for deep-frozen pizzas also showed varied progress in the areas in which Freiberger Group operates. Whereas double-digit growth could be recorded in Great Britain and Austria, market volume in France remained low. In Germany, the market for deep-frozen products has been one of the few growth sectors within the food industry for many years. In 1999 the increase in monetary terms was 3 % compared with the previous year and this was recorded both for household packages for individual consumers as well as large consumers. Growth in the household packages sector is mainly driven by discount stores, partly to the detriment of other retail stores and home deliverers. As a result, there was an overall decline in average revenue per item sold. Growth was recorded above all in the fish, meat and potato product groups, whereas the bakeries and deep-frozen snacks sectors declined. Deep-frozen pizzas showed disappointing growth of less than 2 % following the dynamic increases achieved in past years. Alberto, the Freiberger brand, was able to maintain its position in the intensively competitive Italian pizza brand segment.

The first ice cream with its own website: @t 2000 by Schöller.

Further areas allocated to the segment

The ice cream/frozen food segment also includes AIH Agrar-Industrie-Holding GmbH, Mannheim a holding company for investments in enterprises whose activities fall under the narrower and broader definitions of the food industry. In 1999 results increased as planned due to higher investment income.

VK Mühlen AG, Hamburg again achieved positive group results in 1999. Of major importance for its further development was the completed merger with BM Bäckermühlen AG at the end of the year. As part of this transaction AIH reduced its investment, following a capital increase in exchange for assets, from 15.35 % to 12.0 %.

Both in the milling and in the household flour business the company is ideally complemented by BM Bäckermühlen AG, which has production sites in regions in which VK was weak or was not present at all. BM Bäckermühlen AG's major small package business with its "DIAMANT" and "GLORIA" brands, together with a broad range of special products, have considerably extended the VK Group's activities in this sector. VK Mühlen AG will pay a dividend of ¤ 2.05 per share out of profits for the past year. The introduction of innovative products and realisation of synergies from the merger with Bäckermühlen AG will further improve the Group's earnings capacity.

Fresenius AG, Bad Homburg v.d.H. is a global healthcare group with products and services covering dialysis, hospitals and out-patient medical care. Fresenius offers products for nutritional and infusion therapy, infusion and haemo-technology and clinical medical products. Its subsidiary, Fresenius Medical Care, serves 80,000 patients with chronic kidney failure world-wide, takes responsibility for dialysis treatment and supplies the necessary products. Furthermore, Fresenius designs and constructs pharmaceutical production plant, hospitals and hospital equipment and delivers medical and medical-technical supplies. Consulting, facility management and medical-technical maintenance together with the management of health care centres are part of the Fresenius service range.

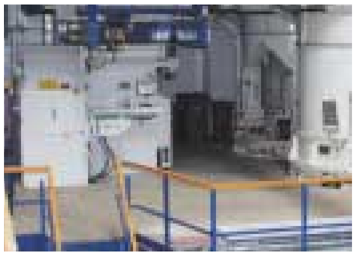
In 1999 Fresenius Group recorded sales of ¤ 4,952 million, 15 % above the previous year's ¤ 4,317 million. The group's EBIT rose by 23 % to ¤ 597 million. Net group earnings for the year grew substantially, by 39 %, to ¤ 203 million. All its business segments contributed to this growth. Fresenius has all the underlying conditions in place to continue its record of growth and maintain its profitability in the future. If exchange rates remain unchanged, Fresenius plans to increase 2000 sales by 10 %. Profits of the Fresenius Group will increase substantially faster than sales in 2000.

Meierei-Zentrale GmbH, Berlin recorded sales in 1999 of ¤ 0.71 billion (¤ 0.81 billion). The decline in turnover of ¤ 102 million results solely from the hive-off of the Frischdienst division, which was transferred to an independent company.

In order to ensure the future of the company in a consolidating European market, the emzett group of activities merged with Tuffi Campina Milchwerke GmbH & Co. KG, Cologne to form a single company with overall sales of ¤ 1.3 billion. With the inclusion of this new company in the internationally operating Campina Group, the path has been set for national and international expansion. In connection with the merger and due to concentration by the Südzucker Group on its core business areas, AIH disposed of its investment in Meierei-Zentrale to January 1, 2000.

Capital expenditures

Double-spindle press, with the 10,000 tonnes extraction tower in the background, at the Ochsenfurt works.



Drum cutter at the Regensburg works.

Laboratory at the Groß-Gerau works.

Capital expenditures at previous year's level

In 1999/2000 capital expenditures on tangible assets within the Group, including intangible assets, amounted to ¤ 233 million (¤ 238 million).

Environmental protection through energy savings

In the sugar/sweeteners segment capital expenditures amounted to ¤ 117 million (¤ 114 million). At Südzucker AG and Südzucker GmbH these capital expenditures were particularly concentrated on energy savings, renewal and expansion of automation technology and production safety.

At the Offstein, Offenau, Ochsenfurt and Plattling refineries capital expenditures were made in the area of equipment for mechanical drying of pressed beet pellets. The improved pellet quality achieved through use of drum-cutting machines led to an overall decline in direct energy consumption. At the Offenau, Rain, Plattling, Zeitz and Zeil works, parts of the automation systems were exchanged or improved. The information systems connected to the control system have proved useful and permit better-controlled process management and simplified documentation. Overall, by taking the above-mentioned measures and carrying out a number of smaller improvements, it was possible to increase daily processing performance compared with the previous year despite the high sugar content in 1999.

Extraction towar at Brugelette, Belgium.

Packaging robot at the Ochsenfurt works.

Ice cream factory, Akcalar, Turkey.

Raffinerie Tirlemontoise finished the second construction phase of the extraction plant in its Brugelette refinery. Planned processing capacity of 10,000 tonnes and a decline in energy consumption were both achieved. Energy consumption was also saved at the Tienen works by optimising the crystallisation and heating processes. Capital expenditure at the Longchamps refinery was also invested to save energy. A new heat exchanger was constructed in the extraction area. At the Wanze works daily sugar production rose to 2,800 tonnes after completing the second construction phase in the crystallisation and centrifuging station areas. Optimisation and renewal of waste water cleaning equipment at the Genappe and Veurne refineries
were part of the capital expenditure in environmental protection.

Capital expenditures to reduce energy consumption was also in the foreground at AGRANA, the Austrian Group. Additional pellet presses were set up its refineries in Hohenau and Tulln. Investments at
the Leopoldsdorf works lead to a stabilisation of production capacity and an improvement in product quality. At AGRANA International, construction of a 30,000 tonne sugar silo at the refinery in Petöhaza, Hungary, was the largest capital expenditure project.

In the frozen food/ice cream segment capital expenditures totalled ¤ 116 million (¤ 124 million) and were almost entirely for tangible assets. The main area of investments were in setting up and expanding sales and production structures in southern and eastern Europe.

Personnel

The number of personnel within the Group rose, above all due to the inclusion of eastern European sugar companies, to 29,579 (25,619). 13,121 (9,855) persons are employed in the sugar/sweeteners segment. This increase resulted mainly from the first-time inclusion of the Moldova sugar factories. The increase in employees in the ice cream/frozen food segment to 16,458 (15,764) persons was mainly due to entry into the Turkish ice cream market and the expansion of the Family Frost street sales system in southern and eastern Europe. The number of employees in Germany declined.

Average employee numbers during the year

Segment		1999/2000	1998/99
Sugar/ sweeteners	Südzucker AG	2,736	2,686
	Südzucker GmbH	538	558
	R.T. Group	1,837	1,830
	AGRANA Group	5,290	4,506
	Südzucker Poland (Łubna sugar factory, Südzucker Polska)	229	275
	Südzucker Moldova	2,491	–
	Total	13,121	9,855
Ice cream/ frozen food	Schöller Group	15,599	14,905
	Freiberger Group	839	839
	Mönnich	20	20
	Total	16,458	15,764
Total		**29,579**	**25,619**

High level of apprenticeships

Training and development are valued highly within the Südzucker Group. 300 young people (as at 31.12.1999), over half of whom are industrial mechanics, are in training at Südzucker AG and Südzucker GmbH. This represents a level of apprentices at almost 12 %. The examination results underline the quality of the training: our trainees are often the best in their class. Throughout the Group university graduates go through an 18 month trainee program which serves to provide the Group with flexible young managers. Staff also need training after they have completed their apprenticeships, and many programs are offered, particularly in the areas of professional development, EDP know-how, and the development and encouragement of staff in achieving key qualifications.

At Eismann the main area of training has traditionally been in business know-how, whereby more than half of trainees receive a business diploma (BA). A total of 1,300 staff took part in training last year.

In addition to a broad range of training and development programs, Schöller has established a model company for trainee industrial managers, Schöller Young Food Shop, to give them the opportunity of getting to know how a business works under realistic conditions.
Apprenticeships in food technology are offered at

Food technology and industrial mechanic apprentices.

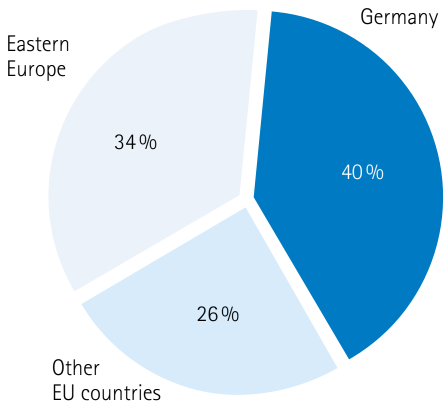
Freiberger and GETI WILBA.

At AGRANA apprenticeships are concentrated on the mechanical and electrical professions, whereby the apprenticeship rate totals 6 % of staff. A high priority is given to personal development, with EDP expertise and foreign languages having a place along-side technical knowledge, due to the increasing internationalisation of the business.

In the job safety area Südzucker AG and Südzucker GmbH were again able to improve their already high standards, with a drop in the works safety index to 0.7. It is also pleasing to note that the gravity of accidents has again declined compared with the previous year. Behind this success lies many years of intensive work in this area, which is aimed at increasing each and every employee's awareness of this topic and, last year, was addressed under the heading "safety for people, products and the environment".
Our staff's interest in acquiring employee shares again increased in 1999/2000. 79 % (75 %) of those members of staff entitled to receive shares have taken advantage of this opportunity.

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

Employees of the Südzucker Group by region



Research and development

Viscosity testing.

Mini-plant to optimize the steam extraction process in sugar production.

Within the Südzucker Group the research and development area is mainly assigned to the sugar/sweeteners segment, whereby its facilities can also be used for research into matters relating to ice cream and frozen food. With 200 staff at three locations within the Group, ¤ 21 million was expended on research and development in 1999/2000.

In the research area Südzucker is interested in new and improved technologies to be able to modify its raw materials, sugar, starch and inulin, more precisely. This can open up new applications for our products in the long term. Of particular importance are environmentally-friendly catalytic and biochemical procedures. An evaluation of products or product modifications so developed includes their possible uses in the food and non-food areas. Based on our experience of functional foods already successfully brought to market, newly-developed products are checked primarily for their functional food characteristics. In the non-food area, major areas of our work are in new polymers or polymer derivatives to add to our product range, above all on a starch basis.

In the traditional area of sugar research, we continue to search for ways of optimizing the production process from an environmental, cost and product quality point of view.

Detailed studies show that use of supplies in the sugar processing process can be minimized and cost savings can be achieved if they are used more effectively.

In the starch area an extension of the range of applications for cationic starch can be expected in the paper manufacturing process once it is possible to offer this product at reasonable prices. A promising method is replacement of the former wet-chemical cationic process by a dry reaction process. The main problem is controlling the reaction to achieve homogenous derivatives. A method could be developed in the technical laboratory with the help of which high conversion levels could be achieved with excellent product quality.

Preparing Isomalt hard caramels for climate and storage testing.

Further development of a bio-catalyst for producing Isomaltulose in the laboratory.

Testing strawberry jam for consistency.

A further research area is in special products based on sugar, starch and inulin. This relates particularly to sugar substitutes, such as Isomalt, fructose, fondant and caramel, starch-related products, such as starch derivatives and starch hydrolysis, and inulin products such as oligo-fructose. For these products, our customers also want to be supplied with a cost-effective raw material which lowers their production costs. At the same, improvements in application potential and other areas in which these products can be used are researched based on our customers' needs.

In connection with this research work, in the Isomalt area it was also possible in 1999 to offer the newly-developed products for the production of sugar-free hard caramel products, Isomalt HB and HC, in liquid form throughout western Europe. With these new products customers can achieve considerable savings with the new product having almost equally valuable properties compared with the standard product. In the inulin area a new multi-chain product could be developed as a fat replacement in gel form, with very good pasteurization and spreading properties. Inulin and oligo-fructose are our base products in the fast-growing functional food segment. For these product groups, in addition to their already well-known pre-biotic effect, an improvement in calcium re-absorption by persons could be documented. This product is therefore particularly well suited for reducing the risk of osteoporosis.

The tasks set for the research and development area are drawn from overall corporate strategy and are concentrated on optimizing the efficiency and environmental effects of the production process, achieving a customer-oriented approach to the uses and application characteristics of our products, further development of our existing product range and on the development of new products from agricultural raw materials.

Risks from future developments

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

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

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

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

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

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

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

Events after February 29, 2000

In May 2000 the executive board announced that it had presented a plan to the supervisory board for its approval involving closure of the Delitzsch, Löbau and Zeil refineries in view of the restriction in area of beet under cultivation. This represents a continuation of the structural program developed in 1994 for maintaining the Group's competitiveness in its German sugar refineries.

Over the past years Südzucker was always able to maintain the profitability of its sugar operations by carrying out rationalization programs and making cost savings, despite the unsatisfactory return on sugar sales, and despite the disadvantages of the campaign duration compared with our European competitors due to the small quantities of beet per refinery. This situation has already been exacerbated for the 2000 campaign, as WTO commitments will lead to substantial cuts in sugar quotas. On top of this, the production and supplementary levies are currently particularly high due to the presently low world price of sugar.

In the light of the above, works closures are the only means of maintaining our competitiveness in the production of sugar from sugar beet, where the restructuring program takes due account of the limited area available for beet cultivation.

With this step we will be able to ensure the long-term future of refining sugar from sugar-beet in Germany. The executive board is particularly concerned to find socially acceptable solutions for the staff affected by these closures.

Südzucker's activities in the Polish sugar industry are aimed at maintaining an appropriate market position within the framework of the privatization of the sugar industry's holding company.

At the beginning of 2000/2001 Freiberger Lebensmittel GmbH, St. Michael, Austria, acquired 100 % of PrimAS Tiefkühlprodukte GmbH, Oberhofen.

Südzucker International Finance B.V., a wholly-owned subsidiary of Südzucker AG, has issued a ten-year bond for ¤ 300 million. Moody's rating agency has given the bond a long-term rating of A1 (investment grade), which underscores Südzucker AG's credit rating, and helped to ensure the bond was successfully placed.

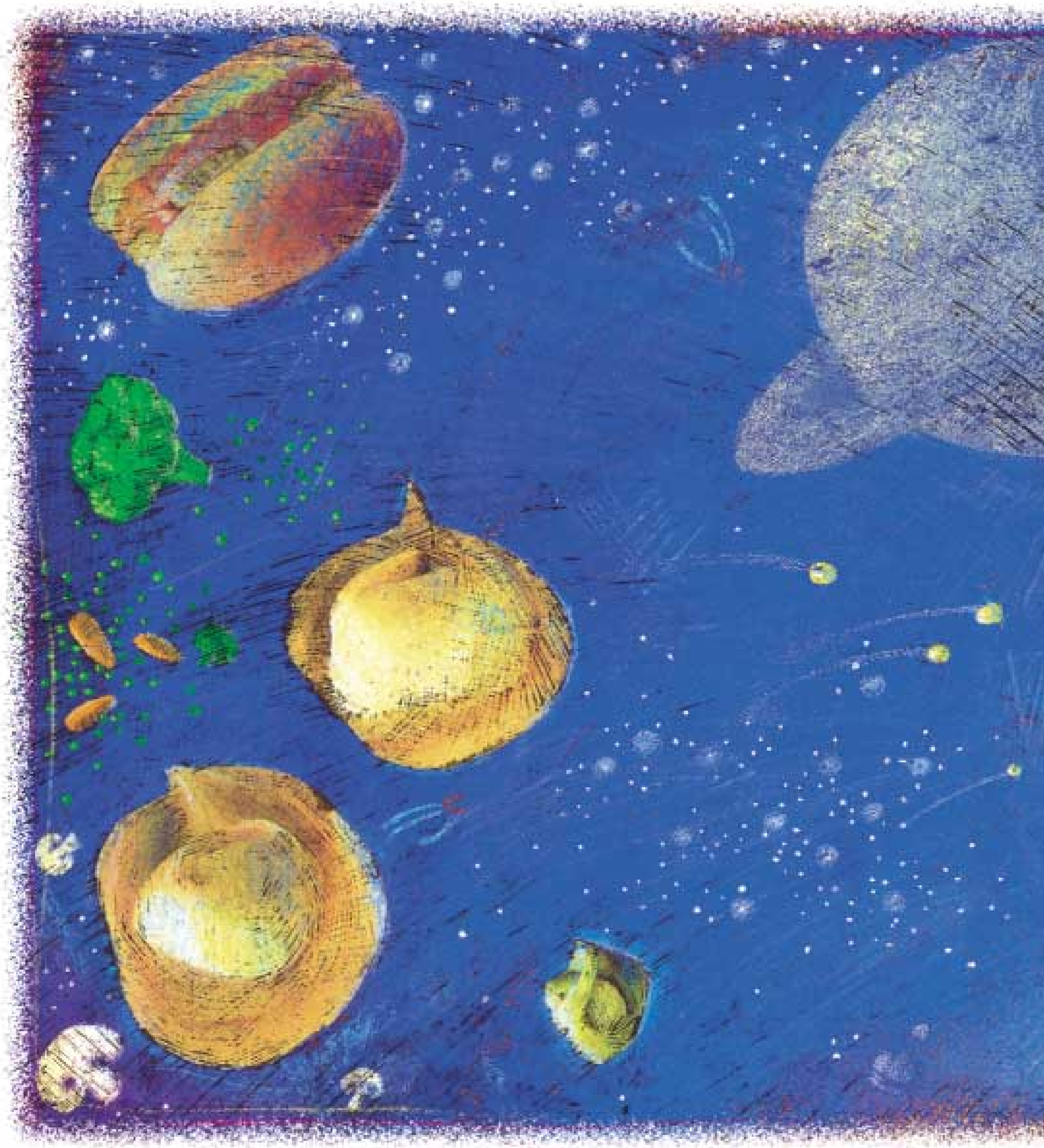
No other events occurred after the end of the year which were of special significance for Südzucker and which could lead to a different view of the assets and liabilities, financial position and results of operations.

The future

In the sugar/sweeteners segment we expect a reduction in area of beet under cultivation, but also a slight improvement in global sugar prices and a decline in EU levies for the 2000/2001 sugar year. On the other hand, the Group is negatively affected by higher energy prices. We expect further growth in the Palatinit and Orafti, portion packs and special products divisions. In eastern Europe, further domestic market consolidation will improve profitability. In the ice cream/frozen food segment the steps already taken to optimize structures within the segment will take effect and result in additional cost savings.

In the current year ending on February 28, 2001 (2000/01) the Südzucker Group expects to continue to grow and improve its operating profits.

The Food Asteroids



These small, ice-encrusted asteroids float freely in space and can be found throughout the galaxies of the Südzucker Universe. They vary greatly in composition – many types have been sighted, ranging from vegetable patties to China rolls and Alberto tortellini. When they rain down upon inhabited planets as meteorites, the people living there shout with joy at this manna from heaven and celebrate sumptuous feasts.

Financial statements

Balance sheet

at February 29, 2000 (in ¤ millions)

ASSETS

	Note	29.2.2000	28.2.1999
Intangible assets		360.0	337.2
Tangible assets		1,752.7	1,717.6
Financial assets		336.7	380.8
Non-current assets	2.1	2,449.4	2,435.6
Inventories	2.2	1,302.2	1,297.8
Receivables and other assets	2.3	539.0	507.4
Securities and cash	2.4	361.7	326.5
Current assets		2,202.9	2,131.7
Deferred tax assets		24.6	20.2
		4,676.9	4,587.5

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	29.2.2000	28.2.1999
Subscribed capital of Südzucker AG		136.2	133.9
Capital reserves of Südzucker AG		527.4	529.7
Revenue reserves		626.9	519.0
		(1,290.5)	(1,182.7)
Minority interests		328.1	370.1
Shareholders' equity	2.5	1,618.6	1,552.8
Provision for pensions	2.6	348.4	345.4
Deferred tax liabilities		375.4	381.9
Other accrued expenses	2.7	514.0	528.7
Total provisions and accruals		1,237.8	1,256.0
Financial liabilities	2.8	984.5	959.6
Other liabilities	2.8	836.0	819.1
		4,676.9	4,587.5

Statement of Income

for the period from March 1, 1999 through February 29, 2000 (in ¤ millions)

	Note	1.3.1999 – 29.2.2000	1.3.1998 – 28.2.1999
Sales	3.1	4,516.6	4,503.6
Change in work in process and finished goods inventories and internal costs capitalized	3.2	(11.5)	(19.7)
Other operating income	3.3	236.3	208.9
Cost of materials	3.4	(2,351.3)	(2,396.9)
Personnel expenses	3.5	(719.7)	(711.3)
Depreciation (excluding goodwill)	3.6	(238.2)	(231.2)
Other operating expenses	3.7	(1,102.8)	(1,045.9)
Operating profit		329.4	307.5
Expenses relating to restructuring costs and other items	3.8	(15.6)	(28.9)
Amortisation of goodwill		(19.4)	(17.0)
Income from ordinary operating activities		294.4	261.6
Interest expense, net	3.9	(64.9)	(63.4)
Income from investments	3.10	9.7	13.0
Other financial expenses and income	3.11	(0.6)	2.9
Earnings before income taxes		238.6	214.1
Taxes on income	3.12	(64.9)	(74.1)
Net earnings for the year		173.7	140.0
Minority share of net earnings		25.9	14.7
Net earnings for the year after minority interests		147.8	125.3
Earnings per share	¤/share	1.09	0.93

Financial statements

Statement of cash flows

March 1, 1999 through February 29, 2000 (in ¤ millions)

	1999/20001	998/99
Net earnings for the year	173.7	140.0
Depreciation of non-current assets	260.8	269.9
Write-ups of non-current assets	(14.9)	(3.8)
Increase in medium-term and long-term provisions and accruals	35.3	25.3
Other expenses not using cash	17.1	33.1
Gross cash flow from operating activities	472.0	464.5
Profits on disposals of items included in non-current assets	(3.6)	(21.5)
Decrease in short-term accruals	(53.3)	(19.2)
Decrease (increase) in inventories, receivables and other assets	(21.1)	62.1
Decrease in liabilities (excluding financial liabilities)	(49.8)	(137.3)
Net cash flow from operating activities	344.1	348.6
Cash received on disposals of items included in non-current assets	37.6	96.2
Capital expenditures:		
Tangible and intangible non-current assets	(233.6)	(237.5)
Financial assets including acquisitions of consolidated subsidiaries	(86.9)	(209.1)
Cash included in acquisitions	8.0	7.4
Net cash flow from investing activities	(274.9)	(343.0)
Cash flow from operating activities and from investing activities	69.3	5.6
Capital increases	17.1	–
Dividends paid	(77.3)	(77.4)
Increase in financial liabilities	27.4	62.8
Net cash flow from financing activities	(32.8)	(14.5)
Change in cash and cash equivalents	36.5	(8.9)
Effect of exchange rate changes on cash and cash equivalents	(1.2)	(2.3)
Cash and cash equivalents at the beginning of the year	326.5	337.7
Cash and cash equivalents at the end of the year	361.7	326.5
of which: Cash	177.5	292.5
Other securities	184.2	34.0

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

	Balance at 1.3.98	Net earnings for the year	Distrib-utions	Exchange rate changes	Balance at 1.3.99	Net earnings for the year	Distrib-utions	Capital increases/ reductions	Exchange rate changes	Other changes	Balance at 29.2.00
Subscribed capital of Südzucker AG	133.9				133.9			2.3			136.2
Capital reserves of Südzucker AG	529.7				529.7			(2.3)			527.4
Revenue reserves	466.3	125.3	(46.2)		545.4	147.8	(46.7)			6.9	653.4
Accumulated foreign currency translation differences	(20.2)			(6.1)	(26.3)				(0.2)	0.0	(26.5)
Minority interests	394.8	14.7	(31.2)	(8.2)	370.1	25.9	(30.6)		0.9	(36.4)	328.1
	1,504.5	140.0	(77.4)	(14.3)	1,552.8	173.7	(77.3)	0.0	(1.1)	(29.5)	1,618,6

Statement of movements on non-current assets
(in ¤ millions)

	Gross acquisition or production cost					
	Balance at 1.3.1999	Change in companies incl. in the consolidation/ Currency translation/ Other changes	Additions	Transfers	Disposals	Balance at 29.2.2000
Intangible assets						
Concessions, industrial and similar rights	127.2	0.7	16.1	(11.2)	6.8	126.0
Goodwill	338.4	28.0	0.0	16.3	0.0	382.7
On-account payments on intangible assets	5.1	0.0	0.1	(5.1)	0.0	0.1
Total intangible assets	470.7	28.7	16.2	0.0	6.8	508.8
Tangible assets						
Land, land rights and buildings including buildings on leased land	1,210.0	57.8	26.4	1.8	6.7	1,289.3
Technical equipment and machinery	2,797.0	56.8	86.3	36.4	65.3	2,911.2
Other equipment, factory and office equipment	406.8	8.2	67.5	(2.6)	37.1	442.8
On-account payments and assets under construction	32.8	6.8	37.2	(35.6)	6.6	34.6
Total tangible assets	4,446.6	129.6	217.4	0.0	115.7	4,677.9
Financial assets						
Shares in affiliated companies	53.1	(35.0)	7.9	0.0	1.5	24.5
Investments in associated companies	75.2	(2.1)	5.0	0.1	18.8	59.4
Other investments	267.0	3.2	4.1	(0.4)	0.1	273.8
Loans to participating interests	0.2	0.2	0.2	0.0	0.2	0.4
Securities in financial assets	25.1	0.0	1.4	0.0	1.4	25.1
Other loans	8.7	0.0	0.1	0.3	5.3	3.8
Total financial assets	429.3	(33.7)	18.7	0.0	27.3	387.0
Total non-current assets	5,346.6	124.6	252.3	0.0	149.8	5,573.7

Depreciation							Net book value	
Balance at 1.3.1999	Change in companies incl. in the consolidation/ Currency translation/ Other changes	Depreciation for the year	Transfers	Disposals	Write-ups	Balance at 29.2.2000	Balance at 29.2.2000	Balance at 28.2.1999
92.3	0.3	13.7	0.0	5.6	12.7	88.0	38.0	34.9
41.2	0.2	19.4	0.0	0.0	0.0	60.8	321.9	297.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	5.1
133.5	0.5	33.1	0.0	5.6	12.7	148.8	360.0	337.2
490.9	27.9	33.4	(3.4)	4.3	0.0	544.5	744.8	719.1
1,966.7	39.4	139.2	6.4	59.0	0.0	2,092,7	818.5	830.3
271.0	3.9	49.1	(3.0)	33.4	0.0	287.6	155.2	135.8
0.4	0.0	2.8	0.0	2.8	0.0	0.4	34.2	32.4
2,729.0	71.2	224.5	0.0	99.5	0.0	2,925.2	1,752.7	1,717.6
9.3	0.0	2.1	0.0	0.4	0.2	10.8	13.7	43.8
13.8	0.0	0,3	0.0	5.0	1.9	7.2	52.2	61.4
23.0	6.2	0.0	0.0	0.0	0.0	29.2	244.6	244.0
0.0	0.1	0.1	0.0	0.0	0.0	0.2	0.1	0.2
0.7	0.0	0.7	0.0	0.2	0.1	1.1	24.0	24.4
1.7	0.0	0.0	0.0	0.0	0.0	1.7	2.1	7.0
48.5	6.3	3.2	0.0	5.6	2.2	50.2	336.7	380.8
2,911.0	78.0	260.8	0.0	110.7	14.9	3,124.2	2,449.4	2,435.6

Notes to the consolidated financial statements

I. Principles of preparation

The consolidated financial statements 1999/2000 of the Südzucker Group have been prepared for the first time in accordance with those standards issued by the International Accounting Standards Committee (IASC) which were valid at February 29, 2000. The conditions set out in § 292 a of the German Commercial Code for exemption from preparation of consolidated financial statements prepared in accordance with the Commercial Code have been met. Set out below are the significant differences between the accounting policies used in preparing the consolidated financial statements of the Südzucker Group and those set out in the Commercial Code:

- Under IAS the definition of temporary differences which form the basis for calculating deferred taxes is wider than in the Commercial Code. Furthermore, under IAS and in contrast to the Commercial Code, deferred tax assets are recognized for tax loss carry forwards which can be utilized against future taxable profits.

- As set out in IAS 39, certain financial instruments are to be recognized in the balance sheet at their market values, whereas the Commercial Code requires that unrealized gains are not recognized and that the historic cost principle be adhered to.

In preparing the consolidated financial statements, the concepts of clarity, openness and materiality have been observed. The comparative figures for the previous year have been adjusted. The cost of sales method has been used for classification of the statement of income.

The consolidated financial statements have been prepared in Euro (¤) for the first time. The exchange rate of DM/¤ 1.95583 officially fixed on January 1, 1999 has been used for conversion of DM into Euro.

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

As recommended by the IASC, IAS 39 "Financial instruments: recognition and measurement" has also been applied in preparing these consolidated financial statements.

II. Consolidation principles

1. Companies included in consolidation

In fiscal year 1999/2000 investment activity, above all in east European countries, was further expanded.

The sugar activities of Südzucker AG in Poland were strengthened by the acquisition of 92.0 % of the shares in the Garbow sugar factory effective October 1, 1999. Furthermore, the company's presence on the Moldovan market was expanded from four to five sugar factories.

In 1999/2000 Raffinerie Tirlemontoise S.A., the Belgium subsidiary, could extend its product range of sugar-based specialities through the acquisition of Sugarfayre and, in the Portion Pack division, by acquiring Akvina and Elite.

AGRANA Group further extended its sugar activities in Romania.

In addition to Südzucker AG, all domestic and foreign subsidiaries in which Südzucker AG directly or indirectly has financial control and which are not immaterial are *consolidated* in the consolidated financial statements. 184 companies (1998/99: 160) were included in the consolidated financial statements for the year ended February 29, 2000. 25 companies have been included in the consolidated financial statements for the first time. One company was de-consolidated in 1999/2000. The effects on the consolidated financial statements of the changes in companies included are as follows:

	1999/2000
	¤ million
Non-current assets	56.1
Current assets	52.1
Total assets	108.2
Shareholders' equity	45.9
Provisions and liabilities	62.3
Total liabilities and equity	108.2
Sales	92.2

Proportionate consolidation was used to include HUNGRANA Kft., Szabadegyhaza, Hungary and Cukrovar NOVA a.s., Sered, Slovakia, in both of which AGRANA INTERNATIONAL AG, Vienna has a 50 % holding. The consolidated financial statements include non-current assets of ¤ 23.9 million, current assets of ¤ 11.4 million, shareholders' equity of ¤ 19.0 million and provisions and liabilities of ¤ 16.3 million from the proportionate consolidation. The statement of income includes sales of ¤ 39.7 million from the proportionately consolidated companies.

The *equity method* was used for 1 (2) domestic associated companies and 3 (4) foreign associated companies. Due to their overall insignificance, 25 subsidiaries were not included "at equity" and were recognized 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 their probable useful lives of 20 years as set out in IAS 22. Any negative goodwill is recognized as income over 5 years. Investments in associated companies are included in the consolidated financial statements using the equity method (purchase method) as from their date of acquisition or initial consolidation.

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

In accordance with IAS 27 pro-forma financial statements are not prepared for those consolidated subsidiaries having a business year (such as 31.12.1999) ending on a date different from that of Südzucker AG (29.2.2000), provided the business year ends within three months of that of Südzucker AG.

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 is the local currency). Hence, non-current assets, current assets and liabilities are translated using mid-market rates ruling at the end of the year. Income and expense items are translated at average rates for the year.

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

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

Country		Year-end rate		Average rate	
		29.2.2000	28.2.1999	1999/2000	1998/1999
		DM			
Belgium	BEF 100	4.8484	4.8484	4.8484	4.8479
France	FRF 100	29.8160	29.8160	29.8160	29.8240
Great Britain	GBP 1	3.1959	2.8482	3.0276	2.8902
The Netherlands	NLG 100	88.7548	88.7548	88.7548	88.7154
Austria	ATS 100	14.2136	14.2136	14.2136	14.2128
Poland	PLN 100	48.6736	45.1875	46.4253	49.6401
Romania	ROL 1000	0.1067	0.1370	0.1144	0.1850
The Czech Republic	CZK 100	5.4941	5.1730	5.3271	5.4895
Hungary	HUF 100	0.7620	0.7709	0.7720	0.8556
USA	USD 1	2.0084	1.7751	1.8748	1.7392

Translation differences are charged or credited direct to equity and reduced the carrying values of non-current assets by ¤ 2.4 million and of shareholders' equity by ¤ 1.1 million during the year.

Receivables and liabilities in foreign currency were translated into local currency in the individual financial statements of the consolidated companies using the buying rate and selling rate ruling at the end of the year respectively.

IV. Accounting policies

Acquired goodwill is recognized and amortized 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 amortization over their expected useful lives.

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

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

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

Shares in non-consolidated affiliated companies are included at acquisition cost. Shares in associated companies, unless insignificant, are included using the equity method. As set out in IAS 39, financial assets shown as other investments and securities and included in non-current assets are included at fair values at the end of the year and the difference between acquisition cost and market value is transferred directly to a revaluation reserve in equity.

Loans are stated at their nominal value.

If the values of items included in non-current assets, calculated under the policies described above, exceed their net realisable value at the balance sheet date, an impairment loss is charged in order to show the lower values.

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.

Securities included in current assets are stated at fair values at the end of the year, as set out in IAS 39.

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

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

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

The amount of other accrued expenses has been estimated based on amounts permitted by IAS and covers all those discernible risks and uncertain obligations whose incidence is deemed probable.

Deferred taxes are recognized 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 tax assets and deferred tax liabilities are recognized separately on the face of the balance sheet. Deferred tax assets have been offset against deferred tax liabilities to the extent the related taxes on income are imposed by the same tax authorities. Deferred taxes are measured as set out in IAS 12 based on the appropriate local corporate income tax rate. With the exception of goodwill arising on consolidation, deferred taxes are recognized on all temporary differences between the IAS balance sheet and the tax balance sheet, regardless of whether the differences are expected to reverse within the foreseeable future.

All liabilities are stated at the amounts due for payment.

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

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

Expenses for research and development costs are expensed immediately when they are incurred and are not recognised in the balance sheet, as set out in IAS 9.

V. Notes to the financial statements

1. Effects of changes to IAS

The change to IAS required the preparation of an opening balance sheet at March 1, 1998 for the first-time application of IAS. The changes were reflected as a charge or credit to revenue reserves directly in equity as well as an adjustment to minority interests. Changes to the accounting policies previously applied were primarily due to the following:

- recognition of goodwill in the balance sheet
- non-recognition of tax-based special depreciation and untaxed reserves in the consolidated financial statements
- re-calculation of the net book values of tangible non-current assets based on straight-line depreciation and different estimated useful lives
- Measurement of sugar inventories using direct costs and a reasonable proportion of material, production and administrative overheads
- Measurement of pension provisions as set out in IAS 19 including the effects of future increases in salaries and pensions
- No provision recognized for maintenance expenses due but not yet incurred
- Full provision of deferred taxes.

The following were the effects of the items on Südzucker Group’s shareholders’ equity as at the date of the change:

	¤ million
Shareholders’ equity 1.3.1999 (Commercial Code)	879.1
Changes in assets:	
Non-current assets	746.0
Inventories	178.1
Deferred taxes	20.0
Receivables and other assets	6.9
Change in liabilities and equity:	
Untaxed reserves	103.6
Accruals and liabilities	(35.4)
Deferred taxes	(345.5)
Shareholders’ equity 1.3.1999 (IAS)	1,552.8

The reconciliation of the 1998/1999 financial statements includes treatment of the following matters in accordance with IAS:

In the financial statements prepared in accordance with the German Commercial Code, untaxed reserves and provisions and accruals were released to income which had already been adjusted direct to equity in the opening balance sheet at March 1, 1998 for IAS purposes. IAS-based depreciation includes amortization of goodwill and a lower charge for depreciation of tangible non-current assets.

The adjustment to the previous year's amounts in the income statement resulted in the following changes (decreases in income are shown in brackets).

	¤ million
Earnings for 1998/99 (Commercial Code)	158.0
Changes	
Release of and addition to untaxed reserves	(40.7)
Deprecation of intangible assets and tangible non-current assets	43.4
Amortization of goodwill	(17.0)
Other changes	(19.6)
Deferred taxes	15.9
Earnings for 1998/99 (IAS)	140.0

2. Notes to the balance sheet

2.1 Non-current assets

Additions to intangible and tangible non-current assets amounted to ¤ 233.5 million in the Group (excluding additions arising as a result of new companies included on consolidation). Goodwill and assets stated at fair value as a result of using the purchase method for the acquisition of companies are shown in the column headed "change in companies included in consolidation" in the statement of movements on non-current assets.

A statement of movements on items included in non-current assets is set out on pages 60 and 61.

Intangible assets

Intangible assets include in particular goodwill arising on first-time consolidation, recognized as set out in IAS 22. This item also includes acquired EDP software and industrial and similar rights. The write-ups arose as a result of adjustments and relate to the sugar/sweeteners segment.

Additions to goodwill relate primarily to the first-time consolidation of new subsidiaries within the R.T., AGRANA and Schöller groups. These amounts, arising on consolidation after releasing hidden reserves in acquired companies, are amortized over their expected useful lives in accordance with IAS 22.

Tangible non-current assets

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

	1999/2000	1998/1999
	¤ million	
Segment		
Sugar/sweeteners	117.1	113.8
Ice cream/frozen food	116.5	123.7
Total	233.6	237.4

Depreciation for the year includes unscheduled depreciation of ¤ 4.8 million.

The change in companies included in the consolidated financial statements relates mainly to the first-time consolidation of eastern European subsidiaries.

Financial assets

Expenditures on financial assets amount to ¤ 86.9 million. They relate mainly to the acquisition of Garbow S.A., the purchase of minority interests in AGRANA Zucker GmbH and the acquisition of Akvina and Elite by Raffinerie Tirlemontoise S.A..

Shares in affiliated companies of ¤ 13.7 million (¤ 43.8 million) shown in the balance sheet include the book values of those companies which have not been consolidated due to their insignificant size. The decrease was primarily due to additions of eastern European sugar companies in 1998/99, which were consolidated for the first time in 1999/2000.

Additions of ¤ 5.0 million and disposals of ¤ 4.9 million to investments in associated companies include changes arising from using the equity method.

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

2.2 Inventories

February 28/29	2000	1999
	¤ million	
Raw materials and supplies	95.7	94.8
Work in process	204.4	185.5
Finished goods and merchandise	1,001.4	1,016.6
On-account payments	0.7	0.9
	1,302.2	1,297.8

The book value of inventories stated at net realizable value amounts to ¤ 74.1 million (¤ 70.1 million).

2.3 Receivables and other assets

February 28/29	2000	1999
	¤ million	
Trade receivables	319.6	288.9
[of which with a remaining term of more than one year]	[0.9]	[1.4]
Receivables from affiliated companies	10.3	19.1
Receivables from participating interests	3.8	1.5
Other assets	205,3	197.9
[of which with a remaining term of more than one year]	[14.4]	[26.8]
	539.0	507.4

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

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

2.4 Securities and cash

February 28/29	2000	1999
	¤ million	
Treasury shares	9.0	11.4
Other securities	175.2	22.6
	184.2	34.0
Cash	177.5	292.5
	361.7	326.5

Treasury shares consist of 1,189,448 shares = 0.87 % in Südzucker AG, Mannheim/Ochsenfurt held by AGRANA Beteiligungs-AG, Vienna.

Other securities consist mainly of shares in investment funds.

2.5 Shareholders' equity

The subscribed capital of Südzucker AG increased by ¤ 2.3 million out of the conversion to capital of part of the company's capital reserves as a result of the resolution passed at the annual general meeting on August 31, 1999 to convert the shares to Euro and introduce shares of no par value. It is divided as follows:

	DM	¤	No. of shares
Ordinary shares	208,399,945.16	106,553,200.00	106,553,200
Non-voting preference shares	57,980,971.52	29,645,200.00	29,645,200
	266,380,916.68	136,198,400.00	136,198,400

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

The executive board is entitled, with the approval of the supervisory board, to increase the share capital (authorized capital) of the company by up to a nominal ¤ 2,239,458.00 up to July 31, 2002 in one or more tranches, through the issue of new bearer shares of no par value for cash or contributions-in-kind. No advantage was taken of this entitlement in 1999/2000.

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

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

2.6 Provision for pensions and similar obligations

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

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

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

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

Pension expense is made up as follows:

	1999/2000	1998/99
	¤ million	
Current service cost	5.6	25.4
Interest cost	17.3	16.1
	22.9	41.5

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

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

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

February 28/29	2000	1999
	¤ million	
Defined benefit obligation for direct pension benefits	348.6	345.4
Unamortized actuarial gains and losses	(0.2)	–
Provision for pensions and similar obligations	348.4	345.4

Movements in the provision were as follows:

	1999/2000	1998/1999
	¤ million	
Provision at March 1	345.4	322.0
+ Amounts charged to income	23.0	41.4
– Pension payments during the period	20.0	18.0
Provision at February 28/29	348.4	345.4

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

2.7 Other accruals

February 28/29	2000	1999
	¤ million	
Accruals for taxes	86.6	92.0
Other accruals		
EU levies for financing the sugar market ordinance	189.8	182.3
Personnel expenses	100.1	95.7
Other uncertain liabilities	137.5	158.7
Total other accruals	427.4	436.7
Total other accruals	514.0	528.7

¤ 175.6 million (¤ 136.7 million) of the other accruals are long term.

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

Accruals for other uncertain liabilities include re-cultivation obligations of the sugar companies and return commitments to trading companies.

2.8 Due dates of financial liabilities and other liabilities

	Feb. 29, 2000	of which remaining term up to 1 year	of which remaining term 1 to 5 years	of which remaining term over 5 years	Feb. 28, 1999	of which remaining term up to 1 year	of which remaining term 1 to 5 years	of which remaining term over 5 years
	¤ million							
Bonds	8.7	1.8	0.1	6.8	8.6	3.8	0.0	4.8
- of which convertible	[8.7]	[1.8]	[0.1]	[6.8]	[8.6]	[3.8]	0.0	[4.8]
Liabilities to banks	975.8	395.1	361.5	219.2	812.8	265.2	183.1	364.5
Bills payable	0.0	0.0	0.0	0.0	138.2	65.6	72.6	0.0
On-account payments received on orders	6.2	6.2	0.0	0.0	4.9	4.9	0.0	0.0
Trade accounts payable	642.0	641.5	0.4	0.1	618.4	596.0	22.3	0.1
Accounts payable to affiliated companies	9.5	9.4	0.1	0.0	4.5	4.5	0.0	0.0
Accounts payable to participating interests	16.0	16.0	0.0	0.0	17.2	17.2	0.0	0.0
Other liabilities	162.3	147.6	11.6	3.1	174.1	163.0	7.7	3.4
- of which for taxes	27.1	26.0	0.9	0.2	29.7	27.0	2.4	0.3
- of which for social security	32.3	25.8	6.2	0.3	29.8	29.8	0.0	0.0
	1,820.5	1,217.6	373.7	229.2	1,778.7	1,120.2	285.7	37.8

Further disclosures on financial liabilities are included under "2.9 financial instruments" on pages 78 to 79.

The following collateral had been provided on February 29, 2000:

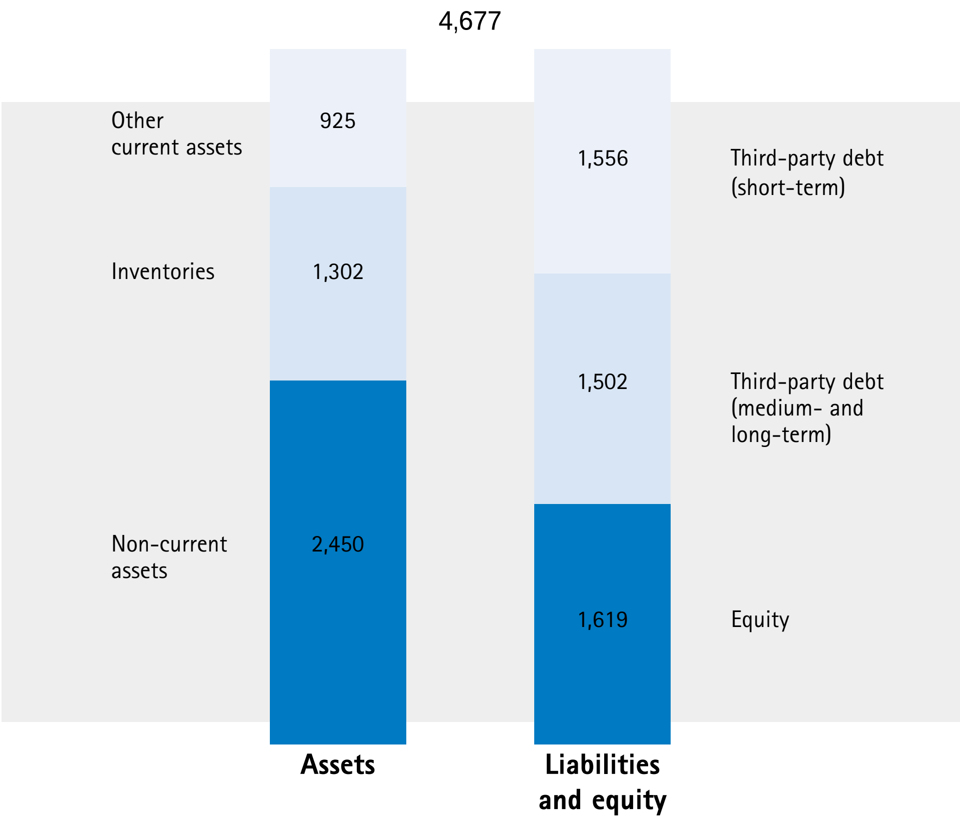
	Secured by mortgage rights	Secured by other pledged assets
	¤ million	
Bonds	–	0.2
Liabilities to banks	53.0	140.8

Trade accounts payable include obligations to beet farmers of ¤ 423.3 million (¤ 420.0 million).

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

Balance sheet structure ¤ millions

February 29, 2000



2.9 Lending and borrowing activities (financial instruments)

Within the Südzucker Group control is exercised over seasonal fluctuations in liquidity as part of a daily financial management system by which normal market investments (in overnight money, term deposits and securities) are made and finance is raised by drawing down overnight and short-term funds, fixed-interest rate loans or through the issue of commercial paper (CP). The CP program has a volume of ¤ 500 million and enables Südzuker AG, either directly or for its own account via Südzucker International Finance B.V., a Dutch financing company, to issue short-term bonds and debentures as the need arises and when market conditions are suitable.

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).

Foreign 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 not be able to pay. Credit risks arising from deposits, securities and receivables from derivative hedge transactions are minimized by only doing business with counterparties with first-class creditworthiness.

Financial liabilities

	Terms	Interest rates	Average rates	Market value ¤ million
Loans	to 7 years	5.0 % – 10.0 %	5.28 %	8.7
Commercial paper	to 1 year	3.33 % – 3.42 %	3.38 %	73.8
Liabilities to banks	to 22 years	1.5 % – 41.0 %	5.37 %	902.0
Total financial liabilities			5.22 %	984.5

Securities are stated at fair value in accordance with IAS 39. This is determined as the stock exchange market value at the end of the year. The book value of cash is its market value. The commercial paper is included at book value, whereas the fair value of the bonds is calculated as the present value of expected future cash flows. Liabilities are stated at their repayment amount. For liabilities in foreign currency the nominal values are translated into the reporting currency at rates ruling at the end of the year, which can lead to a positive or negative fair value difference, depending on the relating foreign currency movement.

2.10 Hedge transactions (derivative financial instruments)

Südzucker Group uses derivative financial instruments to a limited extent to hedge part of the risks arising from its operating activities (interest rate changes, foreign exchange rate changes and product price changes). Only normal market instruments which have sufficient depth of liquidity are used, such as interest swaps, caps and foreign currency forward futures. These instruments are used within the framework of the risk management systems as laid down in the group guidelines, which forbids the use of derivative financial instruments for speculative transactions, sets limits based on underlying business volumes, defines authorization procedures, minimizes credit risks and sets out rules covering the internal reporting package and segregation of duties. Compliance with these guidelines and the corrrect processing and valuation of transactions are reviewed regularly, particularly for adherence to the segregation of duties.

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

¤ million	Nominal volume		Market values	
	1999/2000	1998/1999	1999/2000	1998/1999
Interest swaps	199.9	218.4	(1.9)	(13.2)
Interest caps	238.0	40.5	5.1	0.0
Currency hedges	74.6	42.0	(3.6)	0.2
Product price hedges	16.9	10.2	0.6	(0.6)
Total	529.4	311.1	0.2	(13.6)

The maturities of the currency hedges and product price hedges are less than one year. Of the interest caps, a nominal volume of ¤ 27 million expires within one year, ¤ 245 million mature between one and five years, and the remaining ¤ 165 million mature in more than five years.

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

Market values
The determination of market values is made on the basis of quoted market prices at the balance sheet date without offsetting any counter-movements in value of the underlying transaction.

The market value represents the amount which Südzucker Group would pay or receive if the hedge was closed out in advance of the underlying transaction.

2.11 Contingent liabilities and other financial commitments

February 28/29	2000	1999
	¤ million	
Discounted bills	0.2	52.8
Guarantees and letters of comfort	7.7	9.7
Warranty commitments	4.1	11.4
Present value of lease payments up to one year	5.1	15.0
Present value of lease payments of 1 to 5 years	8.2	8.4
Purchase order commitments for non-current assets	143.4	164.2

3. Notes to the statement of income

3.1 Sales

Details of the sales of ¤ 4,516.6 million (¤ 4,503.6 million) are set out under VII. segment reporting.

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

	1999/2000	1998/99
	¤ million	
Change in work in process and finished good inventories	(15.1)	(23.5)
Internal costs capitalized	3.6	3.8
	(11.5)	(19.7)

3.3 Other operating income

	1999/2000	1998/99
	¤ million	
Income from disposals of non-current assets and current assets and from write-ups	24.6	21.7
Income from warehousing cost subsidies	50.8	54.3
Foreign exchange and currency translation gains	13.1	9.2
Other income	147.8	123.7
	236.3	208.9

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

3.4 Cost of materials

	1999/2000	1998/99
	¤ million	
Cost of raw materials, consumables and supplies and of purchased merchandise	2,238.1	2,287.7
Cost of purchased services	113.2	109.2
	2,351.3	2,396.9

3.5 Personnel expenses

	1999/2000	1998/99
	¤ million	
Wages and salaries	566.3	557.0
Social security, pension and welfare expenses	153.4	154.3
[of which for pensions]	[16.5]	[20.4]
	719.7	711.3

Average number of employees during the year

	1999/2000	1998/99
Divided by group		
Wage earners	15,738	12,276
Salaried staff	13,303	12,811
Trainees	538	532
	29,579	25,619
Divided by geographic area		
Germany	11,956	12,211
Other EU countries	7,325	7,022
Eastern Europe	9,911	6,186
Other foreign countries	387	200
	29,579	25,619

The average number of persons employed by the Südzucker Group increased above all due to the inclusion of eastern European sugar companies.

3.6 Depreciation

	1999/2000	1998/99
	¤ million	
Scheduled depreciation		
Intangible assets (excluding goodwill)	13.7	13.0
Tangible assets	219.7	215.5
	233.4	228.5
Unscheduled depreciation		
Tangible assets	4.8	2.7
	238.2	231.2

Amortisation of goodwill is shown as a separate line item in the statement of income. In the previous year, ¤ 17.9 million was also charged against income for restructuring and other exceptional items relating to the steps taken to reduce production capacity.

3.7 Other operating expenses

	1999/2000	1998/99
	¤ million	
Production and supplementary levies	189.5	182.1
Warehouse cost levy	51.4	47.3
Losses on disposals of non-current assets and current assets	12.7	10.7
Foreign currency and translation losses	9.7	7.9
Other expenses	839.5	797.9
	1,102.8	1,045.9

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

3.8 Effect on income of restructuring costs and other exceptional items

Charges against income for restructuring costs and other exceptional items amounted to ¤ 15.6 million (¤ 28.9 million). Restructuring costs were incurred in connection with AGRANA's activities in Romania. Expenses relating to exceptional items arose from a fire in the pellets silo at Groß-Gerau. In 1998/99 exceptional items included costs of closing the ice cream production facilities in Mettmann.

3.9 Interest expense, net

	1999/2000	1998/99
	¤ million	
Income from other securities and loans included in financial assets	3.8	5.6
[of which from affiliated companies]	[0.4]	[0.4]
Other interest and similar income	12.9	15.3
[of which from affiliated companies]	[0.6]	[0.9]
Interest and similar expenses	(81.6)	(84.3)
[of which to affiliated companies]	[(1.3)]	[(2.0)]
[of which interest expense in calculating pension accruals]	[(17.3)]	[(16.1)]
	(64.9)	(63.4)

3.10 Income from investments

	1999/2000	1998/99
	¤ million	
Income from investments	9.7	13.0
[of which from affiliated companies]	[2.0]	[3.6]
[of which from associated companies]	[1.6]	[8.4]
	9.7	13.0

The amount for 1998/99 includes income from the reduction in the investment in Fresenius AG, Bad Homburg v.d.H. held by AIH Agrar-Industrie-Holding.

3.11 Other financial expenses and income

Gains and losses on disposals of financial assets, including write-ups and impairment write-downs of financial assets, are included in other financial expenses and income of ¤ 0.6 million (¤ 2.9 million).

3.12 Taxes on income

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

	1999/2000	1998/99
	¤ million	
Current taxes	70.8	78.8
Domestic	39.4	39.1
Foreign	31.4	39.7
Deferred taxes	(5.9)	(4.7)
Domestic	(9.6)	(6.9)
Foreign	3.7	2.2
	64.9	74.1

Deferred taxes are calculated on temporary differences between items in the group balance sheet and the balance of the same items in the local tax balance sheet, as well as on tax loss carry forwards. Deferred taxes are calculated using the national distribution rate of tax.

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

	1999/2000
	¤ million
Change in deferred tax assets in the balance sheet	4.4
Change in deferred tax liabilities in the balance sheet	6.5
Change in deferred taxes charged or credited direct to equity	0.6
Deferred taxes per statement of income	11.5

Reconciliation of earnings before income taxes to income tax expense:

	1999/2000	1998/99
	¤ million	
Earnings before taxes on income	238.6	214.0
Theoretical tax rate	*51.2 %*	*51.2 %*
Theoretical tax expense	122.2	109.6
Change in theoretical tax rate as a result of:		
Reduction in tax expense due to distributions made by Südzucker AG	(25.7)	(10.0)
Reduction in tax expense due to lower tax rate	(19.1)	(18.9)
Tax reduction for tax-free income	(10.8)	(11.5)
Tax increase for non-deductible expenses	11.6	12.3
Other	(13.3)	(7.6)
Taxes on income	64.9	74.1
Effective tax rate	26.6 %	34.6 %

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

3.13 Research and development costs

Research and development costs amounted to ¤ 21.3 million for1999/2000 and ¤ 19.7 million in the previous year (+ 7.5 %). The increase is due to the research projects in the Orafti and starch divisions.

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. With the exception of cash and cash equivalents, the effects of foreign currency differences and changes in the companies included in the consolidation have already been eliminated in the balance sheet items concerned.

Cash flow from operating activities are primarily influenced by gross cash flows. Gross cash flow from operating activities increased to ¤ 472.0 million (¤ 464.5 million). Depreciation of non-current assets was ¤ 260.8 million (¤ 269.9 million), or 3.4 % lower than for the previous year. Gross cash flow from operating activities as a percentage of sales amounted to 10.5 % (10.3 %). Cash outflows from tax payments totalled ¤ 52.2 million, and for interest payments were ¤ 81.7 million. Cash receipts from dividends from participating interests totalled ¤ 6.6 million. After considering changes in inventories, receivables, liabilities, provisions and accruals (excluding financial liabilities) cash flow from operating activities for the Group amounted to ¤ 344.2 million (¤ 348.6 million).

A total of ¤ 274.9 million (¤ 343.0 million) was required to finance capital expenditures on non-current assets, made up of ¤ 233.6 million (¤ 237.4 million) for additions to tangible and intangible assets and ¤ 86.9 million (¤ 209.1 million) for financial assets.

Cash outflows from financing activities during the year were 32.8 million (¤ 14.5 million). Dividend distributions mostly related to the cash dividends paid to the shareholders of Südzucker AG as well as for profit distributions to minority interests in consolidated subsidiaries. In addition, financial liabilities of ¤ 27.4 million (¤ 62.8 million) were taken up. A capital increase was carried out at AGRANA Beteiligungs-AG, of which ¤ 17.1 million was contributed by minority shareholders.

The amounts included in cash and cash equivalents are shown in the statement of cash flows on page 58.

VII. Segment reporting

1. Business segments (primary segment reporting)

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

The ice cream/frozen food segment is made up of Schöller ice cream, the Eismann Group, frozen food, the Freiberger Group and bakery products.

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

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

Segment net assets consist of non-current assets less financial assets and working capital of the segment (inventories, trade receivables of other assets less trade accounts payable and other short-term liabilities). 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.

	1999/2000			1998/99		
	Group	Sugar/ sweeteners	Ice cream/ frozen food	Group	Sugar/ sweeteners	Ice cream/ frozen food
	¤ million					
Sales	4,516.6	2,830.1	1,686.5	4,503.6	2,835.8	1,667.8
Operating profit	329.4	271.5	57.9	307.5	275.7	31.8
Operating margin	*7.3 %*	*9.6 %*	*3.4 %*	*6.8 %*	*9.7 %*	*1.9 %*
Segment assets	2,763.2	1,896.1	867.1	2,644.0	1,783.7	860.3
Segment liabilities	909.1	666.3	242.8	897.1	692.0	205.1
Expenditures on tangible assets	233.6	117.1	116.5	237.5	113.8	123.7
Investments in financial assets	86.9	81.7	5.2	209.1	143.5	65.6
Depreciation of tangible assets	(238.2)	(152.8)	(85.4)	(231.2)	(149.2)	(82.0)
Employees	29,579	13.121	16.458	25,619	9,855	15,764

2. Geographic segments (secondary segment reporting)

	1999/2000	1998/99
	¤ million	
Sales		
Germany	2,109.5	2,099.4
Other EU countries	1,571.0	1,575.2
Total EU countries	3,680.5	3,674.6
Eastern Europe	400.6	374.2
Other foreign countries	435.5	454.8
	4,516.6	4,503.6
Segment assets		
Total EU countries	2,470.2	2,421.9
Eastern Europe	287.8	214.6
Other foreign countries	5.3	7.6
	2,763.3	2,644.1
Expenditures on tangible assets		
Total EU countries	193.6	216.7
Eastern Europe	39.5	20.0
Other foreign countries	0.5	0.8
	233.6	237.5

VIII. Other notes

1. Related parties

A related party as defined in IAS 24 is the 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 1999/2000 were mainly cash received from dividends and business transactions. There is an agreement to pay interest on the balances on these accounts at normal market rates.

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

Assuming that the shareholders' annual general meeting approves the proposed dividend, the total remuneration of members of the executive board of Südzucker AG amounted to ¤ 2.2 million and the total remuneration of the members of the supervisory board amounted to ¤ 0.7 million. In addition, the members of the executive board and of the supervisory board received further remuneration of ¤ 0.5 million for carrying out management functions at various subsidiaries.

A total of ¤ 11.1 million has been accrued in respect of pension obligations to former members of the executive board and supervisory board and their dependent relatives. Payments made during the year amounted to ¤ 1.1 million.

Advances and loans made to the members of the executive board amounted to ¤ 0.1 million at February 29, 2000. The loans have an agreed term of between 10 and 14 years and bear interest at 5 % .

2. Earnings per share

	1999/2000	1998/99
Earnings for the year (excluding minority interests) in ¤ million	147.8	125.3
Number of shares	135,008,952	135,008,952
Earnings per share in ¤	1.09	0.93

The calculation has been made in accordance with rules set out in IAS 33. The number of shares has been reduced by the Südzucker shares held by AGRANA-Beteiligungs-AG.

3. Events after the end of the year

We refer to details set out in the management report.

4. Supervisory board and executive board

SUPERVISORY BOARD

Stephan Freiherr Zobel von Giebelstadt zu Darstadt
Honorary chairman
Ochsenfurt
Former chairman of the Association of Süddeutscher Zuckerrübenanbauer e. V.

Hans-Georg Andreae
Chairman
Münster
Chairman of the Association of Süddeutscher Zuckerrübenanbauer e. V.
Other board memberships[1]:
AGRANA Beteiligungs-AG, Vienna, Austria
Schöller Holding GmbH & Co. KG, Nuremberg
Südzucker GmbH, Zeitz (chairman)
SZVG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG, Ochsenfurt (chairman)
VK Mühlen AG, Hamburg

Franz-Josef Möllenberg[2]
Deputy chairman
Rellingen
Chairman of the Food and Catering Union
Other board memberships[1]:
DGB-Rechtsschutz GmbH, Düsseldorf
Nestlé Deutschland AG, Hamburg (deputy chairman)

Dr. Ulrich Weiss
Deputy chairman
Kronberg, Taunus
Former member of the executive board of Deutsche Bank AG
Other board memberships[1]:
ABB Asea Brown Boveri AG, Mannheim
BENETTON SpA, Ponzano, Italy
Continental AG, Hanover
DUCATI SpA, Bologna, Italy
Heidelberger Zement AG, Heidelberg
O & K Orenstein & Koppel AG, Berlin (chairman)
Piaggio SpA, Pontedera, Italy

Ulrich Ambold[2]
Nuremberg
Dipl.-Kaufmann
Schöller Lebensmittel GmbH & Co. KG, Nuremberg
from August 24, 2000
Other board memberships[1]:
Schöller Holding Verwaltungsgesellschaft mbH, Nuremberg

Erwin Berger[2]
Munich
State area chairman of the Food and Catering Union
to March 18, 1999

Karl Bös[2]
Witten
Fitter
Eismann Family, Mettmann

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

2) Employee representative

Günter Denzig[2)]
Witten
Personnel spokesperson
Eismann Family, Mettmann
Other board memberships[1)]:
Schöller Holding GmbH & Co. KG, Nuremberg

Helmut Drescher[2)]
Wattenheim
Chairman of the works council
of Südzucker AG, Mannheim

Hartmut Eklöh
Hagen
Former member of the executive board
of Douglas Holding AG
Other board memberships[1)]:
Adelta COM AG, Düsseldorf (chairman)
Alfred Ritter GmbH, Waldenbuch
Douglas Holding AG, Hagen
Fast Integrations AG, Neu-Ulm (chairman)
Hussel GmbH, Hagen
Selecta AG, Zug, Switzerland

Walter Erhard[2)]
Regensburg
Arc welder

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

Dr. Hans-Jörg Gebhard
Eppingen
Chairman of the Association of
bad.- württ. Zuckerrübenanbauer e. V.
Other board memberships[1)]:
AGRANA Beteiligungs-AG, Vienna, Austria
Schöller Holding GmbH & Co. KG, Nuremberg

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

2) Employee representative

Hans Hartl[2)]
Ergolding
State area chairman
of the Food and Catering Union
from March 18, 1999
Other board memberships[1)]:
Südfleisch Holding AG, Munich
(deputy chairman)

Dr. Christian Konrad
Vienna
Chairman of the supervisory board
of AGRANA Beteiligungs-AG, Vienna
Other board memberships[1)]:
AGRANA Beteiligungs-AG, Vienna, Austria
AGRANA Zucker und Stärke GmbH, Vienna, Austria
BAYWA AG, Munich
BIBAG AG, Vienna, Austria
Kurier Redaktions-GmbH, Vienna, Austria (chairman)
Kurier Ges. mbH, Vienna, Austria (chairman)
Leipnik Lundenburger Industrie AG, Vienna, Austria (chairman)
Mediaprint GmbH & Co. KG, Vienna, Austria (chairman)
Raiffeisen Finanzierungs-AG, Vienna, Austria (chairman)
Raiffeisen Zentralbank Österreich AG, Vienna, Austria (chairman)
Schöller Holding GmbH & Co. KG, Nuremberg
SZVG Süddeutsche Zuckerrüben-Verwertungsgenossenschaft eG, Ochsenfurt
Uniqa Versicherungen AG, Vienna, Austria (chairman)
Zeitschriften Vertriebs- und Beteiligungs-AG, Vienna, Austria (chairman)

Jörg Lindner[2]
Hamburg
Divisional officer Food and Catering Union
Other board memberships[1]:
Nestlé Deutschland AG, Frankfurt
Schöller Holding GmbH & Co. KG, Nuremberg

Erich Muhlack[2]
Regensburg
Manager of the Plattling, Rain and Regensburg, works, Südzucker

Reiner Schulz[2]
Römstedt
Chairman of the works council of the Schöller Lebensmittel GmbH & Co. KG Uelzen works
from August 24, 2000
Other board memberships[1]:
Schöller Holding Verwaltungsgesellschaft mbH, Nuremberg

Richard Schwaiger
Aiterhofen
Chairman of the Association of bayerischer Zuckerrübenanbauer e. V.

Dr. Bernd Thiemann
Kronberg, Taunus
Chairman of the executive board of DG BANK Deutsche Genossenschaftsbank
Other board memberships[1]:
Berentzen AG, Haselünne (deputy chairman)
IVG AG, Bonn
M.M. Warburg KGaA, Hamburg
Nordland Papier AG, Dörpen
R + V Versicherung, Wiesbaden
SZVG Süddeutsche Zuckerrüben-Verwertungsgenossenschaft eG, Ochsenfurt
Thyssen/Krupp Stahl AG, Duisburg
Veba Oel AG, Gelsenkirchen
Westfälische Hypothekenbank AG, Dortmund

Edwin Vetter[2]
Nuremberg
Chairman of the works council of Schöller Lebensmittel GmbH & Co. KG
to August 24, 2000
Other board memberships[1]:
Schöller Holding GmbH & Co. KG, Nuremberg

Peter Weber[2]
Oberasbach
Deputy chairman of the works council of Schöller Lebensmittel GmbH & Co. KG
to August 24, 2000
Other board memberships[1]:
Schöller Holding GmbH & Co. KG, Nuremberg

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

Gerhard R. Wolf
Worms
Former member of the executive board of BASF AG
Other board memberships[1]:
Hornbach Holding AG, Bornheim
Hornbach Baumarkt AG, Bornheim
Kali und Salz Beteiligungs-AG, Kassel
Kali und Salz GmbH, Kassel
STINNES Aktiengesellschaft, Mühlheim/Ruhr
VTG Lenkering AG, Duisburg

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

2) Employee representative

EXECUTIVE BOARD

Dr. Theo Spettmann (spokesman)

External board memberships
Supervisory board:
- Berentzen-Gruppe AG, Haselünne (chairman, from June 21, 2000)*
- Fresenius Medical Care AG, Hof an der Saale (from April 3, 2000)*
- Gerling Industrie Service AG, Cologne*
- Karlsruher Versicherung AG, Karlsruhe*
- Meierei Zentrale GmbH, Berlin*
- VK Mühlen AG, Hamburg*

Advisory council:
- BW Bank, Stuttgart

Group board memberships
Supervisory board:
- Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG, Berlin
- Schöller Holding GmbH & Co. KG, Nuremberg (from May 24, 2000)*
- Südzucker Verkauf GmbH, Oberursel (deputy chairman)
- Südzucker International GmbH, Ochsenfurt

Advisory council:
- AIH Agrar-Industrie-Holding GmbH, Mannheim (chairman)
- Eismann Family GmbH & Co. KG, Mettmann (chairman)
- Geti Wilba Wild- und Geflügelspezial-verarbeitung GmbH & Co. KG, Bremervörde (chairman)
- Mönnich GmbH & Co. KG, Kassel (chairman)

Administrative council:
- Raffinerie Tirlemontoise S.A., Brussels, Belgium

Dr. Christoph Kirsch

External board memberships
Advisory council:
- Conos Invest KGaA, Brussels, Belgium (chairman)
- Deutsche Bank AG, Mannheim
- Frankfurter Versicherung AG, Frankfurt
- Landesbank Baden-Württemberg, Stuttgart
- Ropczyce sugar factory, Ropczyce, Poland

Group board memberships
Supervisory board:
- AGRANA Beteiligungs-AG, Vienna, Austria
- Freiberger Lebensmittel GmbH & Co. Produktions- und Vertriebs KG, Berlin
- Südzucker Verkauf GmbH, Oberursel (chairman)
- Südzucker International GmbH, Ochsenfurt

Advisory council:
- Beta Invest KGaA, Brussels, Belgium (chairman)
- Ignis Invest KGaA, Brussels, Belgium (chairman)
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (chairman)

Administrative council:
- Raffinerie Tirlemontoise S.A., Brussels, Belgium (chairman)

* *Statutory appointments*

Dr. Klaus Korn

External board memberships
Supervisory board:
Kerevitas A.S., Istanbul, Turkey
Ropczyce sugar factory, Ropczyce, Poland

Group board memberships
Supervisory board:
- Palatinit of America Inc., Morris Plains, USA (chairman)
- Schöller Holding GmbH & Co. KG, Nuremberg*
- Söllmer A.S., Istanbul, Turkey
- Südzucker GmbH, Zeitz (deputy chairman)*
- Südzucker International GmbH, Ochsenfurt

Advisory council:
- Mönnich GmbH & Co. KG, Kassel
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim

Administrative council:
- Raffinerie Tirlemontoise S.A., Brussels, Belgium
- Palatinit Asia Pacific Pte Ltd., Singapore (director)

Johann Marihart

External board memberships
Supervisory board:
- Ottakringer Brauerei AG, Vienna, Austria
- Leipnik Lundenburger Invest Beteiligungs AG, Vienna, Austria

Advisory council:
- Erste Wiener Walzmühle Vonwiller GmbH, Schwechat, Austria

Administrative council:
- TÜV Österreich, Vienna, Austria (president)

Shareholder committee:
- Österreichische Nationalbank, Vienna, Austria (general advisory council)

Group board memberships
Supervisory board:
- AGRANA Zucker und Stärke AG, Vienna, Austria (chairman)
- Cukrovar Hrusovany n.J.a.s, Hrusovany, Czech Republic (chairman)
- EHCF Ges.m.b.H, Acs, Slovakia (chairman)
- Magyar Cukor Rt., Budapest, Hungary (chairman)
- Südzucker GmbH, Zeitz*

Advisory council:
- Österreichische Rübensamenzucht GmbH, Vienna, Austria (chairman)

Administrative council:
- Raffinerie Tirlemontoise S.A., Brussels, Belgium

Shareholder committee:
- Hungrana GmbH, Szabadegyhaza, Hungary
- Instantina Ges.m.b.H., Vienna, Austria

* *Statutory appointments*

Dr. Rudolf Müller

External board memberships

Supervisory board:

Meierei Zentrale GmbH, Berlin
(deputy chairman)*

Ropczyce sugar factory, Ropczyce, Poland
(deputy chairman)

Group board memberships

Supervisory board:

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

AGRANA International AG, Vienna, Austria
(deputy chairman)

BGD Bodengesundheitsdienst GmbH,
Mannheim (chairman)

Regensburger Komposterde Vertrieb GmbH,
Regensburg (chairman)

Südzucker GmbH, Zeitz*

Südzucker International GmbH, Ochsenfurt
(chairman)

Advisory council:

Eismann Family GmbH & Co. KG, Mettmann

Administrative council:

Raffinerie Tirlemontoise S.A., Brussels, Belgium

* *Statutory appointments*

5. Major investments of the Südzucker Group

The major investments are listed by segment to which they are allocated. A complete list of investments as set out in § 313 para. 4 HGB has been filed with the commercial register in Mannheim. Südzucker GmbH, Zeitz and Palatinit Süßungsmittel GmbH, Mannheim have taken advantage of the exemption from publishing their financial statements as set out in § 264 para 3 HGB.

	Location	Country	SZ share	Indirect holding
Sugar/sweeteners				
Südzucker AG				
Palatinit-Süßungsmittel GmbH	Mannheim		100.00	
Südzucker GmbH	Zeitz		100.00	
Zschortauer Feldfrucht GmbH	Zschortau		51.00	
Cukrownia Lubna S. A.	Kazimierza Wielka	Poland	75.40	
Cukrownia Ropczyce S. A.	Ropczyce	Poland	38.85	
Cukrownia Garbow S. A.	Garbow	Poland		92.03
Fabrica de Zahar Alexandreni S. A.[1]	Alexandreni	Moldova	36.00	
Fabrica de Zahar Glodeni S. A.	Glodeni	Moldova	38.00	
Fabrica de Zahar Donduseni S. A.[1]	Donduseni	Moldova	43.12	
Fabrica de Zahar Drochia S. A.[1]	Drochia	Moldova	36.00	
Fabrica de Zahar Falesti S. A.[1]	Falesti	Moldova	45.00	
Raffinerie Tirlemontoise S. A., Brussels, Belgium			68.80	6.25
Sucres de Tirlemont S. A.	Tienen	Belgium		100.00
Suikerfabriek van Veurne S. A.	Veurne	Belgium		67.95
Hottlett Sugar Trading S. A.	Berchem	Belgium		62.55
Candico S. A.	Merksem	Belgium		75.50
ORAFTI Oreye S. A.	Oreye	Belgium		99.89
Suikers G. Lebbe S. A.	Oostkamp	Belgium		99.88
Renco B. V.	Renco	The Netherlands		100.00
Portion Pack European Holding B.V.	Oud Beijerland	The Netherlands		100.00
Atlanta Dethmers Beheer BV	Groningen	The Netherlands		100.00
James Fleming & Co. Ltd.	Newbridge	Scotland		100.00
Sugarfayre Limited	Ashington	Great Britain		100.00
W.T. Mather Ltd.	Ashton-in-Makerfield	Great Britain		100.00
Group Nougat Chabert & Guillot	Montelimar	France		100.00

1) Controlling influence per contractual agreement

	Location	Country	SZ share	Indirect holding
AGRANA Beteiligungs-Aktiengesellschaft, Vienna, Austria[2)]			43.20	
AGRANA Zucker und Stärke AG	Vienna	Austria		98.91
Magyar Cukorgyártó es Forgalmazó Rt.	Budapest	Hungary		87.12
HUNGRANA Kft.	Szabadegyhazar	Hungary		50.00
Cukrovar Hrusovany n.J.a.s.	Hrusovany	The Czech Republic		97.06
S.C. Danubiana Roman S.A.	Roman	Romania		79.06
S.C. Beta Tandarei S.A.	Tandarei	Romania		73.05
S.C. Zaharul S.A. Buzau	Buzau	Romania		78.14
Cukrovar Nova a.s.	Sered	Slovakia		50.00
Gemercukor a.s.	Rimavská Sobota	Slovakia		67.00
Ice cream/frozen food				
Schöller Holding GmbH & Co. KG	Nuremberg		65.00	
Schöller Lebensmittel GmbH & Co. KG	Nuremberg			100.00
Schöller Budatej BT	Törökbálint	Hungary		99.97
Schöller Artykuly Spozywcze Spólka z o.o	Namyslow	Poland		100.00
Söllmer Dondurma Sanayi A.S.	Istanbul	Turkey		60.00
Schöller N.V.	Beerse	Belgium		100.00
Kerevitas Gida Sanayi ve Ticaret A.S.	Istanbul	Turkey		25.17
Schöller Marken GmbH & Co. KG	Nuremberg			100.00
Schöller Direct GmbH & Co. KG	Nuremberg			100.00
Family Frost International	Mettmann			100.00
Hjem-IS Europa A/S	Esbjerg	Denmark		100.00
Hemglass Sverige AB	Strängnäs	Sweden		100.00
Eismann International TK-Spezialitäten GmbH	Mettmann			100.00
Eismann Tiefkühl-Heimservice GmbH & Co. KG	Mettmann			100.00
Heimfrost Schumacher GmbH & Co.	Delmenhorst			100.00
GETI WILBA Wild- und Geflügelspezialverarbeitung GmbH & Co. KG	Bremervörde			100.00
ESTABLECIMIENTO FRIGORIFICO AZUL S.A.	Buenos Aires	Argentina		100.00
Gut Adlersreuth GmbH & Co. KG	Oberreute			100.00
Pest Megyei Hütöipari Rt.	Albertirsa	Hungary		100.00
Erlenbacher Backwaren GmbH	Groß-Gerau			100.00
Maître Paul B.V.	Tilburg	The Netherlands		100.00
Lady Cake - Feine Kuchen GmbH & Co. KG	Duingen			100.00
Freiberger Group	Berlin		100.00	
Freiberger Lebensmittel GmbH & Co. Prod.-/Vertr. KG	Berlin		100.00	
Alberto Lebensmittel GmbH & Co. Produktions KG	Berlin		100.00	
Mönnich GmbH & Co. KG	Kassel		100.00	
AIH Agrar-Industrie-Holding GmbH	Mannheim		50.00	
AW Beteiligungs GmbH	Ochsenfurt			75.76

1) Controlling influence per contractual agreement
2) Majority of voting share

IX. Proposed appropriation of earnings

It will be proposed to the annual general meeting that the retained earnings of ¤ 119,733,058.70 of Südzucker AG, Mannheim/Ochsenfurt be appropriated as follows:

Distribution of a dividend of	¤ 0.34 per ordinary share	¤ 36,228,088.00
and a special dividend of	¤ 0.53 per ordinary share	¤ 56,473,196.00
giving a total distribution of	¤ 0.87 per ordinary share	¤ 92,701,284.00
on 106,553,200 ordinary shares		
Distribution of a dividend of	¤ 0.38 per preference share	¤ 11,265,176.00
and a special dividend of	¤ 0.53 per preference share	¤ 15,711,956.00
giving a total distribution of	¤ 0.91 per preference share	¤ 26,977,132.00
on 29,645,200 preference shares		
Giving a total dividend of		¤ 47,493,264.00
and a special dividend of		¤ 72,185,152.00
Total distribution		¤ 119,678,416.00
Earnings carried forward		¤ 54,642.70
Unappropriated earnings		¤ 119,733,058.70

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

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

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

Mannheim, May 26, 2000

THE EXECUTIVE BOARD

Dr. Spettmann Dr. Kirsch

Dr. Korn Marihart

Dr. Müller

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

X. Auditors' Report

Following their audit of the consolidated financial statements and group management report of Südzucker AG prepared in Euro for the year ended February 29, 2000, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft issued the following auditors' report:

We issue the following report on compliance of the consolidated financial statements of Süducker AG Mannheim/Ochsenfurt for the year ended February 29, 2000 with International Accounting Standards (IAS):

"We have audited the consolidated financial statements prepared by Südzucker AG Mannheim/Ochsenfurt, consisting of the balance sheet, statements of income, movements in shareholders' equity, cash flows and notes for the period from March 1, 1999 through February 29, 2000. Management of the company is responsible for the preparation and contents of these consolidated financial statements. Our responsibility is to express an opinion on compliance of these consolidated financial statements with International Accounting Standards.

We conducted our audit in accordance with International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.
An audit of the consolidated financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, including the statement of cash flows, present fairly, in all material respects, the assets and liabilities, financial position and results of operations of Südzucker Group for the year ended February 29, 2000 and its cash flows for the year in accordance with the standards issued by the International Accounting Standards Committee (IASC)".

Mannheim, May 26, 2000

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Schellein	von Hohnhorst
Wirtschaftsprüfer	Wirtschaftsprüfer

The executive board regularly keeps the supervisory board informed, in writing and orally, about the business, the position of the company and significant questions relating to business strategy. Based on these reports, the supervisory board discussed all major transactions with the executive board, and supervision and advice were provided to management. The chairman of the supervisory board also regularly held meetings with the spokesman of the executive board in order to ensure a regular flow of information and exchange of opinions between the two boards. The supervisory board met with the executive board at four regular meetings. The main emphasis of the discussions was on strategies to ensure growth in the Group's business segments. In the sugar/sweeteners segment further action to be taken in Poland and developments at the eastern European sugar refineries were discussed. The supervisory board also considered strategies to strengthen the Group's market position in the ice cream, pizza and direct sales divisions. In addition to these strategic and financial business evaluations, the supervisory board has always considered the effects on the Group's employees.

The 1999/2000 financial statements of Südzucker AG and the management report, combined for Südzucker AG and the Group, were audited, together with the accounting records, by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Mannheim, who issued an unqualified audit opinion.

This also applies to the consolidated financial statements prepared using International Accounting Standards (IAS). As set out in § 292 a German Commercial Code, the attached IAS consolidated financial statements exempt the Group from preparing consolidated financial statements in accordance with German accounting rules. The supervisory board has had sight of all documentation relating to the 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 a meeting on June 29, 2000 the supervisory board acknowledged the consolidated financial statements for 1999/2000, approved and thus adopted the financial statements of Südzucker AG for 1999/2000 and agreed the executive board's recommendation on appropriation of earnings.

Report of the supervisory board

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 Act. The external auditors have audited this report, reported in writing on the results of their audit and issued the following opinion:

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

1. the facts set out in the report are correct,

2. charges to the Company for business transactions listed in the report were not unreasonably high,

3. with respect to the matters listed in the report, no reasons existed for a materially different conclusion than that drawn by the executive board."

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

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

Mannheim, June 29, 2000

THE SUPERVISORY BOARD
Hans-Georg Andreae
Chairman

A Aschach (Agrana)
A Gmünd (Agrana)
A Hohenau (Agrana)
A Leopoldsdorf (Agrana)
A Mattersburg (Eismann Family)
A Oberhofen (PrimAS/Freiberger)
A St. Michael (Freiberger)
A Tulln (Agrana)
A Vienna (PPEH, Agrana, Schöller Lebensmittel)

B Beerse (Schöller Lebensmittel)
B Brugelette (Raffinerie Tirlemontoise)
B Berchem (Hottlet Sugar Trading)
B Geel (Eismann Family)
B Geer (Raffinerie Tirlemonoise)
B Genappe (Raffinerie Tirlemontoise)
B Herentals (Eismann Family)
B Merksem (Candico)
B Onze Lieve Vrouw-Waver (Elite)
B Oostkamp (Suikers G. Lebbe)
B Oreye (Raffinerie Tirlemontoise)
B Tienen (Raffinerie Tirlemontoise)
B Veurne (Raffinerie Tirlemontoise)
B Wanze (Raffinerie Tirlemontoise)

CH Dällikon (Eismann Family)

CZ Prague (PPEH, Schöller Lebensmittel, Eisman Family)
CZ Hrusovany (Agrana)
CZ Opava (Agrana)

D Berlin (Freiberger)
D Bremervörde (Geti Wilba)
D Brottewitz (Südzucker)
D Cuxhafen (Geti Wilba)
D Delitzsch (Südzucker)
D Delmenhorst (Heimfrost)
D Duingen (Lady Cake)
D Groß-Gerau (Südzucker, Erlenbacher)
D Kassel (Mönnich)
D Ochsenfurt (Südzucker, AW Beteiligungs GmbH)
D Offenau (Südzucker)
D Offstein (Südzucker)
D Löbau (Südzucker)
D Mannheim (Südzucker, Palatinit, AIH)
D Mettingen (Lady Cake)
D Mettmann (Eismann Family)
D Muggensturm (Freiberger)
D Nuremberg (Schöller Lebensmittel, Schöller Holding, PPEH)
D Oberreute (Geti Wilba)
D Plattling (Südzucker)
D Prenzlau (Schöller Lebensmittel)
D Rain (Südzucker)
D Regensburg (Südzucker, Reko)
D Uelzen (Schöller Lebensmittel)
D Wabern (Südzucker)
D Warburg (Südzucker)
D Wildau (Eismann Family)
D Zeil (Südzucker)
D Zeitz (Südzucker)
D Zschortau (Zschortauer Feldfrucht)

DK Esbjerg (Hjem-Is)

E Barcelona (Eismann Family)
E Dos Hermanas (Eismann Family)

F Chateauneuf (Raffinerie Tirlemontoise)
F Limoges (Schöller Lebensmittel)
F Lyon (Eismann Family)
F Maromme (Eismann Family)
F Montélimar (Nougat Chabert)
F Nancy (Schöller Lebensmittel)
F Paris (Schöller Lebensmittel, Raffinerie Tirlemontoise)
F Rouen (Eismann Family)
F St. Didier au Mont d´Or (Freiberger)
F Sucy en Brie (Eismann Family)

GB Ashton-in-Makerfield (W. T. Mather)
GB Corby (Eismann Family)
GB Edinburgh (Flemings)
GB London (Schöller Lebensmittel)
GB Northumberland (Sugarfayre)
GB Spalding (Freiberger)

H Albertirsa (Mirsa)
H Acs (Agrana)
H Budapest (Eisman Family)
H Budatej (Schöller Lebensmittel)
H Kaposvár (Agrana)
H Nagyczeul (Agrana)
H Petöhaza (Agrana)
H Szabadegyhaza (Agrana)
H Törökbalint (Schöller Lebensmittel)

HR Zagreb (Eismann Family)

I Bozen (Eismann Family)
I Bussolengo (Eismann Family)
I Mancalieri (Eismann Family)
I Milan (Eismann Family)
I Verona (Eismann Family)

MD Alexandrini (Südzucker)
MD Donduseni (Südzucker)
MD Drochia (Südzucker)
MD Glondeni (Südzucker)
MD Falesti (Südzucker)

N Oslo (Hjem-Is)

NL Boden Graven (Akvina)
NL Duiven (Eismann Family)
NL Groningen (Atlanta Dethmers)
NL Oss (Lady Cake)
NL Oud Beijerland (PPEH, van Oordt)
NL Tilburg (Maitre Paul)
NL Twello (Schöller)
NL Wychen (Renco)

P Lisbon (Eismann Family)

PL Bierun (Eismann Family)
PL Garbów (Südzucker)
PL Krakau (Südzucker)
PL Kietrz (Südzucker)
PL Łubna (Südzucker)
PL Namyslow (Schöller Lebensmittel)
PL Ropczyce (Südzucker)
PL Warsaw (Freiberger)
PL Wlostów (Südzucker)

RO Buzău (Agrana)
RO Roman (Agrana)
RO Tăndărei (Agrana)

RUS Moscow (Schöller, Freiberger)

S Strängnäs (Hjem-Is)

SF Vantaa (Hjem-Is)

SK Bratislava (Schöller Lebensmittel, Eismann Family)
SK Rimavská Sobota (Agrana)
SK Sered (Agrana)

SLO Ljubljana (Eismann Family)

TR Akcalar (Söllmer, Schöller Lebensmittel)
TR Istanbul (Kerevitas, Schöller Lebensmittel)

Argentina Azul (Geti Wilba)
Singapore Singapore (Palatinit)
USA New Jersey (Palatinit)
USA Pennsylvania (Orafti)

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

Status at: May 2000

Impressum

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