

Overview

The Südzucker Group



2002/03

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

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

Group sales and profits

The pattern of Südzucker Group sales were influenced by the disposal of the Schöller Group and the acquisition of Saint Louis Sucre (SLS). The decrease of € 392 million in group revenues to € 4,384 million (€ 4,776 million)* was primarily due to the change in companies consolidated in the group. Group operating profits increased by 11.9 % to € 520 million (€ 465 million). Thus, in a difficult economic environment, the Südzucker Group has not just held up well, but has achieved a sustained improvement to its earnings quality, with operating margin rising from 9.7 % to 11.9 %.

Expenses from restructuring and exceptional items of € 33 million (€ 3 million) mainly relate to provisions in connection with the sale of AW-Fresenius shares in 2001/02, required due to the decrease in the Fresenius AG share price. The sale of part of the investment in KWS, reducing the holding from almost 25 % to nearly 10 %, helped to reduce these costs. Financial results improved by € 3 million to net expenses of € 41 million (€ 44 million). The effective income tax rate could be reduced to 15.6 % (27.5 %).

Group net earnings after tax, which rose by 12.2 %, or € 34 million, from € 281 million to € 315 million, reflect the full integration of the SLS Group, which was completed in 2002/03. Earnings per share rose to € 1.52 (€ 1.45).

* The numbers in brackets relate to the previous year.

Balance sheet

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

Cash flow improved by € 29 million to € 580 million (€ 551 million) in 2002/03, representing cash flow as a percentage of sales of 13.2 % (11.5 %). Capital expenditures on tangible and intangible non-current assets were slightly lower than for the previous year, at € 207 million (€ 219 million). Investments in financial assets, last year consisting mainly of € 1,601 million for the acquisition of Saint Louis Sucre, France, amounted to € 46 million for 2002/03 and related primarily to the special products segment. The profit distribution in 2002/03 of € 120 million (€ 233 million) includes the dividend of € 82 million paid out by Südzucker AG in August 2002.

Recommendation on appropriation of profits

The executive board and supervisory board will recommend an increase in the dividend from € 0.47 per share to € 0.50 per share to the annual general meeting on July 31, 2003. The amount to be distributed will thus rise by € 5.2 million, from € 82.2 million to € 87.4 million.

Number of employees declines due to disposals

Despite the acquisition of Saint Louis Sucre, the disposal of Schöller Holding, with its large number of employees, led to a sharp decline in the number of employees in the group. On average there were 14,855 persons employed in the group in 2002/03.

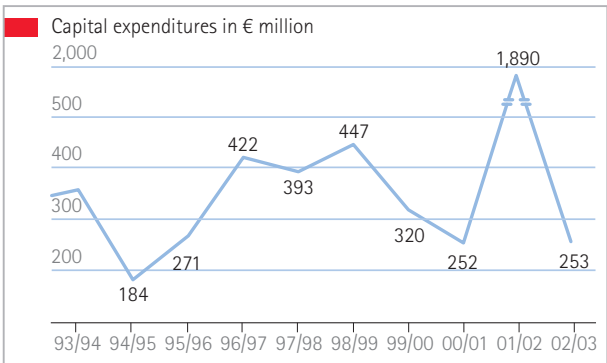
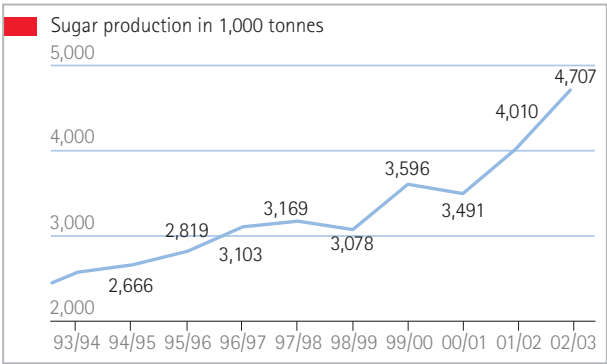
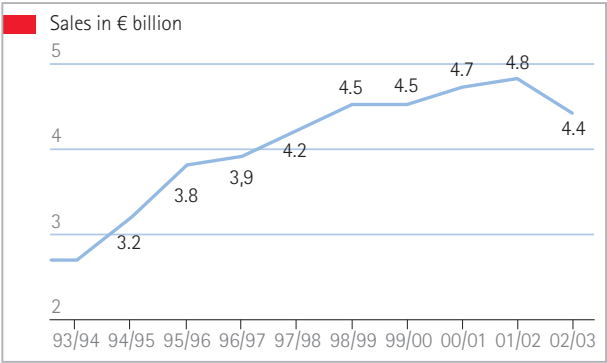
Südzucker – key figures

		IAS 2002/03	IAS 2001/02
Employees (average during the year)		14,855	23,638
Total assets	€ million	5,826	5,843
Non-current assets	€ million	3,237	3,303
Shareholders' equity	€ million	2,221	2,010
as % of total liabilities and shareholders' equity	%	38.1	34.4
Medium-term and long-term third-party liabilities	€ million	1,813	1,928
Total shareholders' equity, medium-term and long-term liabilities	€ million	4,034	3,938
as % of non-current assets	%	124.6	119.2
Current assets less short-term third-party liabilities	€ million	797	635
Capital expenditures in tangible assets ¹⁾	€ million	207	219
Capital expenditures in financial assets ²⁾	€ million	46	1,671
Total capital expenditures	€ million	253	1,890
Gross cash flow from operating activities	€ million	580	551
as % of sales	%	13.2	11.5
Sales	€ million	4,384	4,776
of which foreign	€ million	3,024	2,672
Personnel expense	€ million	526	684
Income from ordinary operating activities	€ million	520	465
as % of sales	%	11.9	9.7
Net earnings for the year	€ million	315	281
as % of sales	%	7.2	5.9
Earnings per share	€	1.52	1.45
Beet processing	1,000 t	29,744	25,030
Beet processing capacity	1,000 t/day	336	342
Sugar production	1,000 t	4,707	4,010
Sugar sales volumes	1,000 t	4,514	4,694
Dividend per € 1 ordinary share	€	0.50 ³⁾	0.47
Total dividend distribution	€ million	87	82

¹⁾ Including intangible assets.

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

³⁾ Proposed.



Südzucker Group segments



SÜDZUCKER

**Südzucker AG
Mannheim/Ochsenfurt,
Mannheim**

Sugar segment

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

Western Europe

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

Eastern Europe

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

Special products segment

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

Palatinit

- Production and global marketing of Isomalt, sugar substitute

Freiberger

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

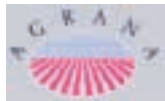
The numbers relate to 2002/03.



**Raffinerie
Tirlemontoise S. A.,
Brussels (85,41 %)**



**Saint Louis Sucre
S. A. (SLS),
Paris (85,19 %)**



**AGRANA
Beteiligungs-Aktiengesellschaft, Vienna
(44,87 %)**

- 4 sugar factories in Belgium
- Sugar production: 681,000 tonnes

- 5 sugar factories and one refinery in France
- Sugar production: 1,147,000 tonnes
- Bio-Ethanol

- 3 sugar factories in Austria
- Sugar production: 456,000 tonnes

- 2 sugar factories in each country, Hungary, the Czech Republic, Slovakia and Romania (of which 1 refinery)
- Sugar production: 453,000 tonnes (incl. 144,000 tonnes raw sugar refinery)

Orafti

- Development, production and global marketing of food ingredients such as inulin, oligofructose, fructose syrup and rice starch products

Surafti

- Production and sale of food ingredients on sugar basis

Portion Pack Europe

- Production and marketing of portion pack articles

Starch

- 3 production locations in Austria
- Processing of 267,000 tonnes of corn and 200,000 tonnes of potatoes for use in food and non-food areas
- 1 production location in Hungary
- 1 production location in Romania

Sugar segment

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

Operating profits for the sugar segment rose by 21 % to € 397 million (€ 328 million). This increase was primarily due to the first-time full consolidation of SLS which, as expected, proved its earnings capabilities. Developments in the other EU countries (excluding SLS) were influenced by the poorer sugar export business. Results of the eastern European sugar activities varied, with different countries performing unevenly. Whereas in some countries operating margins have already reached EU levels, in particular the situation on the Polish domestic sugar market weighed on results prior to Poland's entry to the EU on May 1, 2004. Operating results of the AGRANA subsidiaries in eastern Europe were positively affected by changing the financial year to a uniform twelve months to February 28.

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

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

There were 12 (14) sugar factories in operation in Germany for the 2002/03 campaign. The Löbau works is still included in these figures, as it was closed after the 2002 campaign. A total of 9 (7) factories are allocated to Südzucker International in eastern Europe, of which 6 (3) are located in Poland and 3 (4) in Moldova. The agricultural and feed-

stuffs divisions, Bodengesundheitsdienst (BGD) fertilization consultancy and REKO Erdenvertrieb GmbH composting works in Regensburg and Plattling are also directly allocated to Südzucker AG.

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

Key figures for the sugar segment

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

Beet harvest and campaign

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

Due to unusually good weather conditions for beet growth in **Germany**, beet and sugar yields were high in the areas covered by Südzucker AG and Südzucker GmbH. With an area under cultivation of 177,800 hectares (172,200 hectares), a total of 1.76 (1.53 million tonnes) million tonnes of sugar were produced from 11.8 million tonnes (10.1 million tonnes) of beet with a sugar content of 17.2 % (17.4 %). Following closure of the Delitzsch and Zeil works, the average campaign period rose to 95 (73) days.

In **Belgium**, the 2002 agricultural year was marked by early sowing and good growing conditions. The area under cultivation decreased to

Sugar segment

64,300 hectares (70,800 hectares) due to the sale of the sugar factory Veurne. The high beet yield of 66.1 tonnes per hectare (57.1 tonnes per hectare) nevertheless led to an increased beet harvest of 4.2 million tonnes (4.0 million tonnes). 681,000 tonnes (634,200 tonnes) of sugar were produced in a campaign lasting 82 days (70 days).

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

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

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

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

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

res (29,000 hectares). 51,000 tonnes (64,900 tonnes) of sugar were processed in a campaign lasting 58 days (58 days).

Sugar sales volumes

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

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

Total sales volumes of **Raffinerie Tirlémontoise** rose by 4 % due to higher sugar production in the 2002/03 campaign.

Sugar sales volumes at **Saint Louis Sucre** were 1,121,600 tonnes (1,144,000 tonnes) in 2002/03 (beet and cane sugar).

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

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

A total of 750,000 tonnes (970,000 tonnes) of sugar from Belgium, Germany and Austria were exported to third countries during 2002/03 via **Südzuckergroup Export Centre (SEC)**.

Sales volumes for the six **Polish factories** rose to 128,000 tonnes (118,000 tonnes) of sugar.

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

Special products segment

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

Key figures for the special products segment

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


*Without Schöller Holding.

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

Palatinit shows progress

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

Volumes of sales to a stagnating confectionery industry could be increased as the sensory and physiological properties of Isomalt are precisely in line with the fashion for confectionery which not only promises but also meets the promise of "full taste with no regrets". The high taste qualities of Isomalt-based confectionery compared with traditional products has been confirmed time and time again in blind tests carried out by independent market research institutions



world-wide. Many published international consumer studies confirm that, more than ever, healthy teeth, calorie content and diabetes are major topics for consumers and solutions are being sought by consuming "the right" food.

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

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

ORAFI strengthens market penetration

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

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

Special products segment

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

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

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

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

Starch grows through innovation

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

AGRANA has been involved in the biologically-based starch products business for more than 10 years and has recorded double-digit growth rates for this product group over the past few years. Potatoes and corn from biological farms are processed to yield biological starch,



biological sweeteners and biological potato products. Customers are drawn from the entire food industry and they use these products primarily for preserving fruit, confectionery, baby food, bakery products and delicatessen products. Already in the fifth year of operations, AGRANA produces food additives made from corn and wax corn, certified as being free from being genetically modified. Hence, AGRANA is one of the largest business-to-business suppliers on the European market in the biological and GM-free sectors.

Portion Pack Europe (PPE) increases sales

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

Surafti

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

Freiberger Group in pole position throughout Europe

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

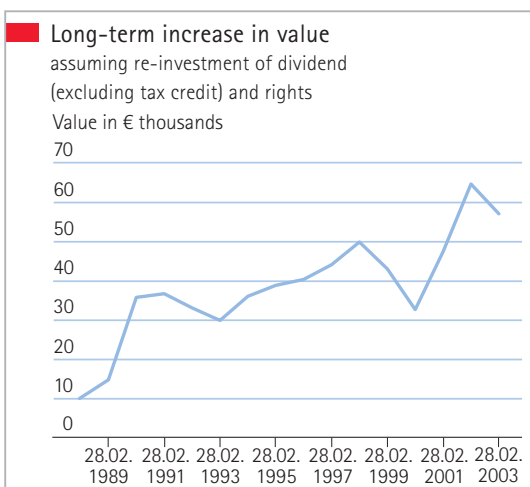
Südzucker share

Share price movement

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

Long-term increase in value

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



Investor relations

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

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

Market capitalization/indices

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

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

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

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

Südzucker share

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

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

Südzucker AG securities		
	ISIN	Exchange
Südzucker ordinary shares	DE 000 729 700 4	XETRA, Frankfurt, Stuttgart, Munich, Hamburg, Berlin, Düsseldorf, Hanover (OTC)
6.25 % bond 2000/2010	DE 000 178 080 7	Frankfurt (official), Stuttgart and Berlin (OTC)
5.75 % bond 2002/2012	DE 000 846 102 1	Frankfurt (official), Stuttgart and Düsseldorf (OTC)

Corporate governance

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

Shareholder structure

With the sale of 6.1 % of its shareholding, previously reported as totaling 11 %, in December 2002, Deutsche Bank reduced its shareholding in Südzucker to less than 5 %. The free float of Südzucker shares thus rose to 34 %. We were informed by Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG (SZVG) that their own shareholding and those shares held by them on trust for their own shareholders represented a majority holding of 56 %. Other major owners are our Austrian shareholders, via ZSG NL (Netherlands) B.V., with 10 %.

Dividend for 2002/03

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

Südzucker share data

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

¹⁾Proposed. ²⁾Closing price, Frankfurt stock exchange.

Imprint

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