



Oud-Beijerland, 6 April 2017

Südzucker International Finance B.V.

FINANCIAL REPORT
for the financial year
1 March 2016 to 28 February 2017

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Directors' report for the financial year 2016/17

We have pleasure in presenting the Financial Report of Südzucker International Finance B.V. ('SZIF', or 'the Company') for the financial year 1 March 2016 up to and including 28 February 2017.

Group structure

SZIF was incorporated on 13 January 1994. The Company is a wholly-owned subsidiary of Südzucker AG, Mannheim, Germany.

The Company's purpose is to finance affiliated companies through, among others, the issuance of loans listed on public markets. The loans currently issued are listed on the Frankfurt Stock Exchange and the Luxembourg Stock Exchange.

Business review and activities during this year

On 22 November 2016 SZIF placed a new bond valued at EUR 300 million with a payment per 29 November 2016 and an interest rate of 1,25% for a 7-years period and an issue price of 99,687%. The interest will be paid on the 29th of November every year.

Additionally, SZIF continues to be a potential issuer under the EUR 600 million commercial paper program. During the financial year 2016/17 no drawings were made on behalf of SZIF. Nevertheless, SZIF continued to be an important liquidity provider within Südzucker Group.

The interest rate for the loans to affiliated companies is laid down in the Loan Pricing Policy of the Company. The interest rate on the credit facilities is based on the weighted average yield of all funds drawn from the financial market. The costs related to the bonds (i.e. guarantee fee, the annualized bank costs, annualized discount and the required spread for the Company's financing activities) are added to the weighted average yield.

At the annual General Meeting of the Company held on 11 April 2016 the general assembly has been decided upon the allocation of the results of the financial year 2015/16 to pay a dividend of EUR 1.3 million on 13 May 2016.

As all bonds are issued by the Company and are guaranteed by Südzucker AG, the ratings continue to be a significant support of the bond business of SZIF as well as the issue of commercial papers.

In May 2016 Moody's Investors Service has changed to stable from negative the outlook on the Baa2 long-term issuer ratings of Südzucker AG. Moody's has affirmed the long-term Baa2 issuer ratings and the short-term Prime-2 ratings of Südzucker AG and SZIF. Additionally Moody's has upgraded the junior subordinated rating of SZIF to Ba2 (from Ba3). Moody's revised the outlook on Baa2 rating of Südzucker to stable from negative, reflecting their expectation that the credit metrics of Südzucker will continue to improve over the next 12-18 months primary driven by stronger underlying operating performance in the sugar segment.

In June 2016, Standard & Poor's Global Ratings revised to positive from stable the outlook on Germany-based sugar producer Südzucker AG. They also affirmed the long- and short-term corporate

credit ratings on the company at 'BBB-/A-3'. At the same time, they affirmed the issue ratings on the senior unsecured debt instruments of Südzucker at 'BBB-' and affirmed 'A-3' short-term issue rating on the commercial paper program. They also affirmed 'B+' issue ratings on the subordinated hybrid bonds.

In February 2017 Standard & Poor's confirmed this positive outlook. In their view it reflects that there is at least a one-in-three chance that they could raise the ratings on Südzucker over the next 12 months thanks to a sustained improvement in credit metrics.

Facilities

On 28 February 2017 the Company has the following facilities at its disposal:

- On 30 June/15 August 2005 a fixed-rate coupon of 5.25% perpetual hybrid bond was issued to a total amount of EUR 700 million. Since 30 June 2015 the subordinated bond has a variable coupon of the 3 month Euribor interest rate plus 3.10% p.a. effective 30 June 2015.
On the 28 February 2017 the interest rate applied 2.781% p.a. for the period from 30 December 2016 to 31 March 2017 exclusively (91 days).

Südzucker currently does not meet the requisite conditions for termination and repayment of the bond. Neither does Südzucker currently intend to take any action, such as increase capital for cash or issue a new hybrid bond to fulfil the conditions for termination nor make a public offer to buy back any bonds by way of meeting a capital market compliant procedure, since this could negatively impact the rating agencies' assessment of the company's equity credit.

- On 29 March 2011 a 4.125% bond was issued to an amount of EUR 400 million for a 7-years period. The Notes shall be redeemed at their principal amount on 29 March 2018 (maturity date).
- On 22 November 2017 a 1.25% bond issued and paid on 29 November 2017 to an amount of EUR 300 million for a 7-years period. The Notes shall be redeemed at their principal amount on 29 November 2023 (maturity date).
- A EUR 600 million short term commercial paper facility together with Südzucker AG, which was not used by SZIF this fiscal year.

Results

The net result after tax for the 12-month period ended at 28 February 2017, amounts to EUR 1,061,977 (2015/16: EUR 1,335,674). The net result after tax for the fiscal year 2016/17 (2015/16) is in line with the APA (Advance Pricing Agreement with the Dutch tax authorities).

Composition of the board

The size and composition of the Board of Management and the combined experience and expertise should reflect the best fit for the profile and strategy of the Company. Currently the Board consists of two male board members. The Company is aware that the gender diversity is below the goals as set out in article 2.276 section 2 of the Dutch Civil Code and the Company will pay close attention to gender diversity in the process of future recruiting and appointing new managing directors.

Financial risk management

The risk appetite of the Company is very limited. This is also embedded in the structure of the Company, in which external financing is applied only for internal financing purposes with very limited risks. Reference is also made to disclosures below on separate risks. As part of the applicable tax ruling (APA) a fixed spread is set on the interest expenses resulting in a higher interest income on the intercompany loan receivable. Next to that the Company is required to keep a certain minimum level of equity. These basic rules result in a continuously healthy financial Company. The Company has designed and implemented control measures in order to mitigate risks. These control measures are both automated and manual. Amongst others the control measures are monitoring, reviewing, 4-eye principles and authorization matrices within Südzucker group.

SZIF's financing needs are directly related to funding requests of other Südzucker Group companies. The Company's activities might expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The risk profile is not significantly changed in comparison with the last fiscal years.

Market risk (fair value interest rate risk)

Market risk is defined as the risk of a loss due to a change of market prices. The Company's market risk is limited to the bonds issued by the Company. These amounts are secured by Südzucker AG and on-lent within the Group. There is a difference in maturity of the bonds and the amounts lent. This mismatch is managed by updates of the Südzucker International Finance Loan Pricing Policy. However, depending on transactions as well as on its individual market assessment the Company may also be prepared to accept interest rate risks. Any such remaining interest rate risks are monitored closely and steered actively. The Company is not exposed to equity or commodity price risk. Since 30 June 2015 the hybrid bond 2005 is applied into the floating rate coupon based on the offer rate in the interbank market in the euro zone for three-month deposits plus 3.10% (three-month Euribor plus 3.10% p. a.). The issuer's right to call the bond is available every quarter on the due date for interest payment.

Credit risk

Credit risk is the risk of loss due to a counterparty's non-payment of a loan or other receivable. Following the purpose of the Company, its main counterparties for loans and receivables are all related parties and hence members of the Südzucker Group. These companies have a long and proven track record of being reliable creditors, and their suitability for future credit is monitored on an ongoing basis. Therefore the company's exposure to credit risk is influenced mainly by the characteristics of Südzucker Group related default risk. In case of a non-payment of a loan or other receivable the risk is limited at 1% of the outstanding amount with a maximum of EUR 10 million.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash in order to ensure payment of short-term liabilities. Liquidity risk is the risk that liabilities cannot be met when they fall due. Also a substantial and / or a simultaneous withdrawal of deposits fall into such risks. The Company addresses such risk by matching the cash flows resulting from assets and liabilities wherever economically viable but also by maintaining a range of financing possibilities. As such the Company has short term deposits readily available with Südzucker AG, but also continues to be an issuer under the EUR 600 million Commercial Paper program.

Cash flow interest rate risk

The Company's interest rate risk arises from assets and liabilities having either a different interest rate base (fixed vs. variable) or different tenures (short term vs. long term). The Company's external borrowings are at a fixed interest rate until the maturity of these borrowings and at quarter based variable interest rate. The loans are lent to the parent company and affiliated companies. Interest rates applied for intercompany loans under the SZIF Loan Pricing Policy are continuously adopted to the actual interest cost situation of the Company. These intercompany interest rates are based on the average interest expenses for the Company, including a spread. As such, the Company's cash flow interest rate risk is limited.

Governance

Based on Article 1, par. 1, sub 1 in the Audit Firms Supervision Act (*Wet toezicht accountantsorganisaties*) the Company is considered as a public interest entity (*Organisatie van openbaar belang*) and following the Royal Decree of 26 July 2008, concerning the implementation of Article 41 of EC directive 2006/43 the Management of the Company assigned the Audit Committee tasks to the Audit Committee of Südzucker on 10 September 2012.

The members of Südzucker Audit Committee are Dr. Jochen Fenner (chairman), Dr. Hans-Jörg Gebhard, Veronika Haslinger, Franz-Josef Möllenberg, Franz-Rudolf Vogel and Rolf Wiederhold; the Südzucker Audit Committee meeting reviewed the financial statements and management report of SZIF 2015/16 on 4 May 2016.

Outlook for the financial year 2017/18

The Company's management expects for the fiscal year 2017/18 a profit which is roughly the same amount as 2016/17 and in line with the APA.

Directors' responsibility statement

All directors confirm that, to the best of their knowledge:

- the financial statements which have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face as required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Events after 28 February 2017

On 13 March 2017 SZIF has closed a new advance tax ruling (APA) with the Dutch tax authorities to calculate the fix spread on the outgoing loans. This new APA is valid from 1st of March 2017 for a 5 years period. The APA is an agreement between the Dutch tax authorities and SZIF about the application of Dutch tax law for its activities in the Netherlands.

No further events occurred after 28 February 2017, which need to be disclosed in these financial statements.

Oud-Beijerland, 6 April 2017

The Managing Directors:

G.P. Nota

A.J. Dorleijn

Financial statements

Balance sheet as at 28 February 2017

(Before profit appropriation of the year)

Assets				
(in EUR'000)				
	Notes	28 February 2017	29 February 2016	
Non-current assets				
Receivables from the shareholder	4	636,800	270,550	
Receivables from affiliated companies	5	797,828	865,037	
		1,434,628		1,135,587
Current assets				
Other receivables and prepaid expenses		20	18	
Cash at banks	6	134	86	
		154		104
Total assets		1,434,782	1,135,691	

Equity and liabilities (in EUR'000)	Notes	28 February 2017	29 February 2016
Shareholder's equity	7		
Share capital		10,000	10,000
Retained earnings		6,899	6,863
Profit financial year		1,062	1,336
		17,961	18,199
Long-term provisions			
Deferred tax liabilities	8	20	31
Non-current liabilities			
Bond € 400 million	9+10	399,307	398,693
Bond € 300 million	9+10	297,747	-
Hybrid bond	9+10	700,000	700,000
		1,397,054	1,098,693
Current liabilities			
Payable to tax authorities	11	220	7
Other payables	12	19,527	18,761
		19,747	18,768
Total equity and liabilities			
		1,434,782	1,135,691

Profit and loss account for the year

(in EUR'000)	Notes	ended 28 February 2017	ended 29 February 2016
Income from financing activities			
Interest income from:			
the shareholder	4	12,556	9,329
affiliated companies	5	28,893	38,753
Other financing income		(1)	(3)
		41,448	48,079
Expenses from financing activities			
Interest expenses:			
bonds	9	37,512	43,241
Amortisation bonds discount	10	697	1,292
Other financing expenses	13	1,542	1,541
		(39,751)	(46,074)
Results from financing activities		1,697	2,005
Other expenses			
Wages and salaries	14	83	79
Social security and pension expenses		20	22
Other operating expenses	15	116	65
		(219)	(166)
Profit before taxation		1,478	1,839
Taxation	16	(416)	(503)
Net profit		1,062	1,336

Cash flow statement

(in EUR'000)	Notes	1 March 2016 - 28 February 2017	1 March 2015 - 29 February 2016
Cash flow from operating activities			
Result before taxation		1,478	1,839
Adjustment for:			
Movements in deferred tax		(11)	(46)
Amortisation discount on bonds issued	10	697	1,292
Other		264	(426)
Net cash (used in)/from operating activities		2,428	2,659
Changes in working capital:			
Movements interest payable		713	(21,000)
Cash flow generated from operating activities			
Income tax paid		(416)	(503)
Net cash generated from operating activities		2,725	(18,844)
Cash flows used in investment activities			
Decrease/(increase) in loans to aff. companies l.t.	4+5	(299,041)	20,632
Net cash used in investment activities		(299,041)	20,632
Cash flows generated from financing activities			
Issuance of long-term bond		297,664	-
Dividend payment for prior year		(1,300)	(1,800)
Net cash generated from financing activities		296,364	(1,800)
Change in cash		48	(12)
Cash as at 1 March	6	86	98
Cash as at 28/29 February		134	86

Notes

General

1. Group affiliation and principal activity

Südzucker International Finance B.V. ('SZIF', or 'the Company'), a private company with limited liability incorporated under the laws of The Netherlands on 13 January 1994, having its corporate seat in Oud-Beijerland, the Netherlands and its registered office at Laurens Jzn. Costerstraat 12, 3261 LH Oud-Beijerland, the Netherlands and registered with the Dutch Chamber of Commerce under 33255988.

All shares were issued to Südzucker AG, Mannheim, Germany.

The principal activity of the Company is to facilitate financing of Südzucker AG and group companies.

2. Basis of presentation

These financial statements have been prepared in accordance with the provisions of the Netherlands Civil Code, Book 2, Part 9 and the accounting principles generally accepted in the Netherlands.

The financial statements are expressed in EUR'000.

3. Significant accounting policies

3.1 General

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, if not specially stated otherwise. The balance sheet and profit and loss account include references to the notes.

3.2 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary the nature of these estimates and judgements, including the related assumptions, is disclosed in the applicable notes to the financial statement items in question.

3.3 Loans to shareholder and loans to affiliated companies

Loans to group companies included in financial assets are initially measured at fair value, and subsequently carried at amortised cost.

The interest rate charged on loans to group companies has been set in conformity with the tax ruling obtained from the local tax authorities (APA).

The Company assesses at the reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the statement of financial position date, and that loss event

has had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of expected future cash flows discounted at the assets original effective interest rate. The amount of the loss is included in the profit and loss statement. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the profit and loss statement.

3.4 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost with use of the effective interest rate method. When a trade receivable is not collectible, it is written off against the allowance for trade receivables.

3.5 Cash

Cash consist of cash at banks and deposits with a maturity of less than three months. Current account liabilities at banks are recognised under bank overdrafts forming part of current liabilities. Cash are stated at nominal value.

3.6 Equity

The Company has no statutory or mandatory reserves.

3.7 Deferred tax liabilities

Deferred tax liabilities are recognised to provide for timing differences between the value of the assets and liabilities for financial reporting purposes on the one hand and for tax purposes on the other. Deferred tax liabilities are calculated based on the tax rate prevailing on the balance sheet date or the rates that will apply in the future, insofar as these have been set by law.

3.8 Non-current liabilities

Bonds included in non-current liabilities are initially measured at fair value net of transaction costs and subsequently valued at amortised costs.

3.9 Other payables

Other payables include short-term liabilities relating to unpaid interest on the bonds. These are stated at amortised cost.

Accounting policies for the profit and loss account

3.10 General

Results on transactions are recognised in the year in which they are realised; losses are recognized in the period in which they pertain.

Income and expenses are recognised on an accrual basis in accordance with the relevant agreements.

Premiums and discounts on loans are amortised over the term of the loans in accordance with the effective interest method.

Interest paid and received is recognised on a time-weighted basis, applying the effective interest rate of the assets and liabilities concerned.

3.11 Employee related costs

Short term employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees.

3.12 Taxation

Corporate income tax is calculated on the profit/loss before taxation in the profit and loss account, taking into account tax-exempt items and non-deductible expenses, and using current tax rates.

3.13 Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered a related party. In addition, statutory directors, other key management of SZIF or Südzucker AG and close relatives are regarded as related parties.

3.14 Cash flow statement

The Cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash except for deposits with a maturity over three months. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Transactions not resulting in inflow or outflow cash are not recognized in the cash flow statements.

3.15 Financial risk factors

The Company's activities might expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The risk profile is not significant changed in comparison with the last fiscal years.

■ *Market risk*

(Fair value interest rate risk)

Market risk is defined as the risk of a loss due to a change of market prices. The Company's market risk is limited to the bonds issued by the Company. These amounts are secured by Südzucker AG and on-lent within the Group. There is a difference in maturity of the bonds and the amounts lent. This mismatch is managed by updates of the Südzucker International Finance Loan Pricing Policy. However, depending on transactions as well as on its individual market assessment the Company may also be prepared to accept interest rate risks. Any such remaining interest rate risks are monitored closely and steered actively. The Company is not exposed to equity or commodity price risk. Since 30 June 2015 the hybrid bond 2005 is applied into the floating rate coupon based on the offer rate in the interbank market in the euro zone for three-month deposits plus 3.10% (three-month Euribor plus 3.10% p.a. The issuer right to call the bond is available every quarter on the due date for interest payment.

■ *Credit risk*

Credit risk is the risk of loss due to a counterparty's non-payment of a loan or other receivable. Following the purpose of the Company, its main counterparties for loans and receivables are all related parties and hence members of the Südzucker Group. These companies have a long and proven track record of being reliable creditors, and their suitability for future credit is monitored on an ongoing basis. In cooperation with Südzucker AG headquarters, assessments of credit risk are made. The maximum credit risk exposure is EUR 1.4 billion. The company's exposure to credit risk is influenced mainly by the characteristics of Südzucker Group related default risk. In case of a non-payment of a loan or other receivable the risk is limited at 1% of the outstanding amount with a maximum of EUR 10 million. Südzucker AG, Mannheim, which has issued an unconditional and irrevocable guarantee in relation to every single bond and the Commercial Paper Program, presently has an BBB-/A-3 rating by Standard & Poor's and a Baa2/P-2 rating by Moody's. Credit ratings have a stable respectively positive outlook. The associated expenses are charged on to the lending companies through an additional risk premium on top of the base rate.

■ *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash in order to ensure payment of short-term liabilities. Liquidity risk is the risk that liabilities cannot be met when they fall due. Also a substantial and / or a simultaneous withdrawal of deposits fall into such risks. The Company addresses such risk by matching the cash flows resulting from assets and liabilities wherever economically viable but also by maintaining a range of financing possibilities. As such the Company has short term deposits readily available with Südzucker AG, but also continues to be an issuer under the EUR 600 million Commercial Paper Programme. The Company has various possibilities for liquidity facilities. A concentration of liquidity risk has not been identified.

■ *Cash flow interest rate risk*

The Company's interest rate risk arises from assets and liabilities having either a different interest rate base (fixed vs. variable) or different tenures (short term vs. long term). The Company's external borrowings are at a fixed interest rate until the maturity of these borrowings and at quarter based variable interest rate. The loans are lent to the parent company and affiliated companies. Interest rates applied for intercompany loans under the SZIF Loan Pricing Policy are continuously adopted to the actual interest cost situation of the Company. These intercompany interest rates are based on the average interest expenses for the Company, including a spread. The interest rates and interest conditions on the issued bonds are equal to these on the loans to affiliated companies. Therefore the Company is not exposed to variability of cash flows due to market developments in interest rates.

Balance sheet

4. Receivables from the shareholder

(in EUR'000)	28 February 2017	29 February 2016
Loans	636,800	270,550
	<u>636,800</u>	<u>270,550</u>

The loan to the shareholder is a long-term loan with no scaled maturity which bears interest at 3.07% since 30 November 2016 in accordance with the loan policy. The interest is variable and will change every calendar quarter end depending on the interest rate of the hybrid bond. The increase of the loan amount to the shareholder Südzucker AG reflects the new bond issue proceeds of EUR'000 300,000 in November 2016.

The interest is variable and will change every calendar quarter end depending on the interest rate of the hybrid bond. Due to the quarterly interest rates revisions the interest rate is assumed to be equal to the effective interest rate.

The fair value of the loans does not differ materially from the recorded amount in the balance sheet due to its short term position.

5. Receivables from affiliated companies

(in EUR'000)	28 February 2017	29 February 2016
Loans to affiliated companies	797,828	865,037
	<u>797,828</u>	<u>865,037</u>

The loans to affiliated companies consist of:

- EUR'000 153,600 long-term loan to Südzucker Polska Sp.z.o.o. and Südzucker Moldova S.A. which bears interest at 3.26% since 30 November 2016 in accordance with the loan policy. This includes an additional spread for withholding tax.
- EUR'000 644,228 long-term loans to other affiliated companies which bear interest at 3.07% since 30 November 2016 in accordance with the loan policy.

The interest is variable and will change every calendar quarter end depending on the interest rate of the hybrid bond. Due to the quarterly interest rates revisions the interest rate is assumed to be equal to the effective interest rate.

The fair value of the loans does not differ materially from the recorded amount in the balance sheet due to its short term position.

6. Cash at banks

The current accounts are held with Deutsche Bank AG, Amsterdam and ING Bank, Amsterdam. None of this cash is restricted as at 28 February 2017.

7. Shareholder's equity

(in EUR'000)	Paid-up and issued capital	Retained earnings	Profit financial year	Total
Shareholder's equity as at 1 March 2016	10,000	6,863	1,336	18,199
Appropriation of net result 2015/16	-	36	(36)	-
Dividend payment	-	-	(1,300)	(1,300)
Net result for the year 1 March 2016 - 28 February 2017	-	-	1,062	1,062
Shareholder's equity as at 28 February 2017	10,000	6,899	1,062	17,961

As at 28 February 2017 220,365 ordinary shares have been issued and fully paid of EUR 45.38 each for a total of EUR 10,000,163.70.

The retained earnings represent the withheld profits of prior financial years.

In accordance with Article 18 of the Articles of Association, the net result for the year is at the disposal of the General Meeting of the Shareholders.

The proposal to the General Meeting of the Shareholders will be:

- to pay a dividend of EUR'000 1,000 on 5 May 2017;
- the remaining amount to the retained earnings.

8. Deferred tax liabilities

The deferred tax liabilities are recognised in respect of timing differences between the valuation of the bond discounts in these financial statements and the valuation for tax purposes. This liability is of a long-term nature (exceeding one year).

9. Long-term liabilities

SZIF has issued the following bonds under the law of the Federal Republic Germany:

- On 30 June 2005 the Company issued a hybrid bond to an amount of EUR 500 million at a rate of 98.669%. This amount was increased on 15 August 2005 by an amount of EUR 200 million at a rate of 99.113%. The hybrid bond is divided into a nominal value of EUR 1,000 each.
In the first ten years till 30 June 2015 the subordinated bond has a fixed coupon of 5.25%. Since 30 June 2015 the subordinated bond has a variable coupon of the 3 month Euribor interest rate plus 3.10% p.a. effective. The interest rate was set at 2.781% p.a. for the period from 30 December 2016 to 31 March 2017 exclusively (91 days).

Südzucker currently does not meet the requisite conditions for termination and repayment of the bond. Neither does Südzucker currently intend to take any action, such as increase capital for cash or issue a new hybrid bond to fulfil the conditions for termination nor make a public offer to buy back any bonds by way of meeting a capital market compliant procedure, since this could negatively impact the rating agencies' assessment of the company's equity credit. A limited buyback by Südzucker AG has been performed in the past to a current maximum of around 4% of nominal face value.

Furthermore, the terms and conditions of the bond provide Südzucker, in the event of a dividend event, with the option to defer the interest coupon payments. An optional (voluntary) coupon suspension may occur if no dividend was approved for shares of Südzucker at the last annual general meeting. In the event of a cash flow event, Südzucker is obliged to suspend the interest coupon payment. A mandatory coupon suspension can be triggered when consolidated gross cash flow from operating activities falls below 5% of the group's consolidated revenues.

This hybrid bond is guaranteed by Südzucker AG, Mannheim.

The fair value of this bond as at 28 February 2017 amounts to 98.78% (2015/16: 84.25%) at the Frankfurt Stock Exchange for a total amount of EUR 691.46 million.

- On 29 March 2011 the Company issued a 4.125% bond for an amount of EUR 400 million. The bond has been issued against a rate of 99.54%. Redemption of the EUR 400 million takes place on 29 March 2018.

Südzucker AG, Mannheim guarantees the bond.

The fair value of this bond as at 28 February 2017 amounts to 104.476% (2015/16: 106.910%) at the Frankfurt Stock Exchange for a total amount of EUR 417.90 million.

- On 22 November 2016 the Company placed a 1,25% bond with a payment date of 29 November 2016 at the Luxembourg Stock Exchange. The bond has been issued against a rate of 99.687%. Redemption of the EUR 300 million takes place on 29 November 2023.

This bond is also guaranteed by Südzucker AG, Mannheim.

The fair value of this bond as at 28 February 2017 amounts to 102.97% at the Frankfurt Stock Exchange for a total amount of EUR 308.91 million.

The fair values of these loans are determined by market quotations of these bonds on 28 February 2017.

10. Bond discount

All the bonds will be amortised over the term of these loans in accordance with the effective interest method.

(in EUR'000)	01 March 2016	Movements	28 February 2017
Bond discount at cost	20,123	-	20,123
New bond € 300 million	-	2,336	2,336
Amortisation	(18,816)	(697)	(19,513)
	1,307	1,639	2,946
Bond discount book value long-term	1,307	1,639	2,946

The discount of the new bond € 300 million consist of:

Disagio 99,687%	EUR'000	939,000
Fee bank syndicate	-	900,000
Other costs like legal advice costs, rating letter, comfort letter, listing fee	-	496,804.

11. Payable to tax authorities

(in EUR'000)	28 February 2017	29 February 2016
Corporate tax	130	6
Income tax	5	1
VAT	85	-
	<u>220</u>	<u>7</u>

12. Other payables

(in EUR'000)	28 February 2017	29 February 2016
Interest accrual on bonds	19,368	18,655
Other payables	159	106
	<u>19,527</u>	<u>18,761</u>

The remaining term of all other payables is less than one year.

Profit and loss account

13. Other financing expenses

(in EUR'000)	ended 28 February 2017	ended 29 February 2016
Commitment fee paid to Südzucker AG	1,191	1,118
Withholding tax Poland and Moldova deductable at Dutch income tax	104	110
non-deductable	164	234
Other financial expenses	83	423
	<u>1,542</u>	<u>1,885</u>

14. Wages and salaries

(in EUR'000)	ended 28 February 2017	ended 29 February 2016
Wages (incl. management, holiday pay)	69	65
Bonus	14	14
	<u>83</u>	<u>79</u>

15. Other operating expenses

The operating expenses can be split in:

(in EUR'000)	ended 28 February 2017	ended 29 February 2016
Independent audit of the financial statements	21	22
Audit of the financial statements previous year	9	(15)
Other non-audit services	12	12
Tax advice	30	8
Legal advice	10	6
Third-party hired management	13	15
Building rental	6	6
Other expenses	15	11
	<u>116</u>	<u>65</u>

All audit services are provided by Ernst & Young Accountants LLP and the tax advice by PricewaterhouseCoopers Belastingadvies N.V.

16. Tax

(in EUR'000)	ended 28 February 2017	ended 29 February 2016
Taxable amount	1,751	2,263
Tax expenses based on nominal tax rate	428	556
Nominal tax rate	24.4%	24.6%
Effective tax rate	28.2%	27.4%

17. Related parties

Südzucker International Finance BV is a 100% subsidiary of Südzucker AG, Mannheim, Germany. SZIF supplies financing facilities exclusively to Südzucker AG and other companies within the Südzucker AG group. During the year the Company concluded several financing transactions with its parent and affiliated companies. The interest and other conditions are determined on arm's length basis.

18. Employees

The Company employed 1 person with 0.6 FTE (2015/16: 0.6 FTE) in the Netherlands. There are no employees abroad.

The management of 2 persons is hired from another group company and externally.

19. Benefits management board

The total remuneration of the members of the management board of the Company is:

(in EUR'000)	ended 28 February 2017	ended 29 February 2016
Salary	-	-
Bonus	14	14
Purchased management services	14	15
	28	29

20. Commitments and contingencies not included in the balance sheet

There are no commitments and contingencies, which are not included in the balance sheet.

21. Events after the balance sheet date

On 13 March 2017 SZIF has closed a new APA with the Dutch tax authorities to calculate the fix spread on the outgoing loans. This new APA is valid from 1st of March 2017 for a 5 years period.

There are no further events after the balance sheet date.

Oud-Beijerland, 6 April 2017
The Managing Directors:

G.P. Nota

A.J. Dorleijn

Other information

Independent auditor's report

The independent auditor's report is taken up on the following page.

Profit appropriation

In accordance with Article 18 of the Articles of Association, the net result for the year is at the disposal of the General Meeting of the Shareholders.

The proposal to the General Meeting of the Shareholders will be:

- to pay a dividend of EUR'000 1.000 on 5 May 2017;
- the remaining amount to the retained earnings.

Independent auditor's report

To: the shareholders Südzucker International Finance B.V.

Report on the audit of the financial statements 2016/2017 included in the annual report

Our opinion

We have audited the financial statements 2016/2017 of Südzucker International Finance B.V., based in Oud Beijerland, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Südzucker International Finance B.V. as at 28 February 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The balance sheet as at 28 February 2017
- ▶ The profit and loss account for the year then ended
- ▶ The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Südzucker International Finance B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€7 million
Benchmark applied	0,5% of the total assets
Explanation	Based on the type of business the total assets are an appropriate and stable benchmark to use for the determination of the materiality.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the managing directors that misstatements in excess of € 350 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the managing directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit approach
Valuation of the outstanding intercompany loans The main activity of Südzucker International Finance B.V. is to finance affiliated companies through, among others, the issuance of loans on public markets. The company runs the risk that an affiliated company defaults on meeting its obligations to Südzucker International Finance B.V. The outstanding intercompany loans are significant to Südzucker International Finance B.V. as these represent approximately 100% of the total assets in the financial statements of the company. Therefore we consider this risk as a key audit matter.	We have performed, amongst others, the following procedures with respect to the intercompany loans: ▶ We challenged the appropriateness of management's assumptions and estimates in relation to the recoverability of the outstanding intercompany loans ▶ We performed inspection of the loan agreements ▶ We reviewed the agreement with Südzucker AG that limits the economic risks of Südzucker International Finance B.V. ▶ We determined that the affiliated companies have met their financial obligations towards Südzucker International Finance B.V. throughout the year.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ The directors' report
- ▶ Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the shareholder as auditor of Südzucker International Finance B.V. on 14 January 2015, as of the audit for the year 2014/2015 and have operated as statutory auditor ever since that date.

Description of responsibilities for the financial statements

Responsibilities of managing directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the managing directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the managing directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the managing directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 6 April 2017

Ernst & Young Accountants LLP

Signed by P.J.A.J. Nijssen