

## ANNUAL REPORT 2015/16

***crop. energies***  
***mobility*** – sustainable. renewable.

## HIGHLIGHTS 2015/16

### CROPENERGIES GROUP

- Revenues decline to € 723 (827) million      € -104 million
- Bioethanol production down to 837,000 (1,056,000) m<sup>3</sup>      -21%
- EBITDA grows to € 121.5 (25.2) million      € +96 million
- Operating profit rises to € 86.7 (-11.2) million      € +98 million
- Net earnings increase to € 42.6 (-58.0) million      € +101 million
- Cash flow reaches € 87.3 (5.3) million      € +82 million
- Net financial debt sinks to € 66 (150) million      € -84 million

- Outlook for 2016/17\*: Revenues are expected to range between € 625 and € 700 million. Operating profit (before restructuring costs and special items) is expected to range between € 30 and € 70 million.

The annual report is also available in German. This English translation is provided for convenience only and should not be relied upon exclusively. The German version of the annual report is definitive and takes precedence over this translation.

*\*Details in the Outlook, p. 74*

## CROPENERGIES – GROUP FIGURES OVERVIEW

IFRS/IAS		2015/16	2014/15	2013/14	2012/13	2011/12
<b>Result</b>						
Revenues	€ thousands	722,602	827,165	780,436	688,723	572,119
EBITDA	€ thousands	121,544	25,177	68,463	118,989	84,314
in % of revenues	%	16.8	3.0	8.8	17.3	14.7
Operating profit	€ thousands	86,695	-11,233	35,002	87,018	53,008
in % of revenues	%	12.0	-1.4	4.5	12.6	9.3
Income from operations	€ thousands	68,680	-39,367	28,050	87,004	51,922
Net earnings	€ thousands	42,647	-58,043	12,006	57,175	30,180
in % of revenues	%	5.9	-7.0	1.5	8.3	5.3
<b>Cash flow and capital expenditures</b>						
Cash flow	€ thousands	87,265	5,285	50,858	98,238	63,986
in % of revenues	%	12.1	0.6	6.5	14.3	11.2
Capital expenditures in property, plant and equipment*	€ thousands	16,831	31,636	18,182	11,104	14,415
<b>Balance sheet</b>						
Total assets	€ thousands	591,476	643,914	666,305	598,947	623,444
Net financial debt	€ thousands	-65,678	-150,148	-134,674	-82,907	-158,383
Equity	€ thousands	367,215	331,660	395,344	389,705	353,929
in % of total liabilities and shareholders' equity	%	62.1	51.5	59.3	65.1	56.8
<b>Performance</b>						
Property, plant and equipment*	€ thousands	447,176	475,232	472,519	437,344	458,624
Goodwill	€ thousands	5,595	5,595	5,595	5,595	5,595
Working capital	€ thousands	43,142	43,191	71,186	64,173	60,287
Capital employed	€ thousands	495,913	524,018	549,300	507,112	524,506
ROCE	%	17.5	-2.1	6.4	17.2	10.1
<b>Shares</b>						
Market capitalization	€ million	332	262	442	499	450
Total shares issued of 28/29 February	million	87.25	87.25	87.25	85	85
Closing price on 28/29 February	€	3.80	3.00	5.07	5.87	5.30
Earnings per share	€	0.49	-0.67	0.14	0.67	0.36
Dividend per € 1 share	€	0.15**	0.00	0.10	0.26	0.18
Yield as of 28/29 February	%	3.9	0.0	2.0	4.4	3.4
<b>Production</b>						
Bioethanol	1,000 m³	837	1,056	884	808	692
<b>Employees</b>						
Number of employees (full-time equivalents)		416	432	430	321	310

\* Including intangible assets

\*\* Proposed



**Raw materials**



**Products**



**Mobility**



**Sustainability**

## CROPENERGIES AG MANNHEIM

Group Annual Report for 2015/2016  
1 March 2015 to 29 February 2016

With its ethanol, CropEnergies contributes to making mobility in Europe more sustainable. Replacing fossil fuels means reducing greenhouse gas emissions. Added to this are our valuable protein food and animal feed products which help lowering protein imports into Europe and strengthen the supply from domestic sources.

May are not aware of the many advantages of bioethanol. Read more about it on the quiz pages in the annual report. Maybe there is a surprise or two.

## Financial calendar

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1 <sup>st</sup> quarterly report 2016/17	6 July 2016
Annual general meeting 2016	12 July 2016
1 <sup>st</sup> half-yearly report 2016/17	12 October 2016
1 <sup>st</sup> to 3 <sup>rd</sup> quarterly report 2016/17	11 January 2017
Annual report press and analysts' conference financial year 2016/17	17 May 2017

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Commercial Register Mannheim: HRB 700509



## TABLE OF CONTENTS

<b>Group figures overview</b>	<b>Fold-out page</b>
<b>Company profile</b>	<b>4</b>
<b>To our shareholders</b>	<b>6</b>
Letter to shareholders	6
Supervisory board and executive board	8
Supervisory board report	12
Share and capital market	16
<b>Group management report</b>	<b>20</b>
Foundations of the group	20
Group structure	20
Corporate management	20
Value-based management	21
Financial management	21
Guiding principles and corporate strategy	21
Sustainability report	23
Sustainability within the CropEnergies Group	23
Procurement of agricultural raw materials	24
Environmental and energy aspects in production	24
Product responsibility and quality	28
Social responsibility	28
Working conditions and human rights	29
Research and development	31
Employees	34
Investments	36
Corporate governance	37
Role of the executive board and supervisory board	37
Corporate governance report	39
Compliance business values and principles	43
Takeover-related disclosures	44

Report on the economic position	48
Report on business operations	48
Results of operations, financial position, assets and liabilities	56
Results of operations	56
Financial position	58
Assets and liabilities	59
Economic value added, capital structure and dividend	60
Actual and forecast business performance	63
Report on events after the balance sheet date	66
Risk and opportunities report	66
Risk management system	66
Risks	68
Strategic risks	69
Operational risks	69
Financial risks	71
Overall risk	72
Opportunities	72
Overall opportunities	73
Accounting-related internal control and risk management system	73
Outlook	74
<b>Consolidated financial statements</b>	<b>78</b>
Statement of comprehensive income	78
Cash flow statement	79
Balance sheet	80
Development of shareholders' equity	81
Notes to the consolidated financial statements	82
<b>Responsibility statement</b>	<b>133</b>
<b>Independent auditors' report</b>	<b>134</b>
<b>Glossary</b>	<b>136</b>
<b>Forward-looking statements and forecasts</b>	<b>139</b>



# CROPENERGY

- One of the leading producers and distributors of bioethanol in Europe
- Production sites in Germany, Belgium, France and the UK and trading offices in the USA, Brazil, and Chile
- Largest bioethanol producer in Germany and Belgium
- Bioethanol plants have been certified as sustainable with at least 50 percent greenhouse gas savings
- Annual total capacity: approx. 1.3 million m<sup>3</sup> of bioethanol; > 1 million tonnes of food and animal feed products; 100,000 tonnes of liquefied CO<sub>2</sub>
- Technological leader in Europe with innovative plant concepts
- Know-how in the industrial processing of agricultural raw materials into high-quality products and their marketing accumulated over many years
- Market capitalisation at the end of business year 2015/16: € 332 million
- Our aim: To ensure sustainable and renewable mobility for today and in the future

## The production sites



### Zeitz, Germany

#### Annual capacity

- 400,000 m<sup>3</sup> bioethanol for fuel and traditional applications
- > 300,000 t ProtiGrain® (DDGS)
- 100,000 t liquefied CO<sub>2</sub>

#### Raw materials

Grain and sugar syrups



### Wanze, Belgium

#### Annual capacity

- 300,000 m<sup>3</sup> bioethanol fuel applications
- approx. 55,000 t gluten
- > 350,000 t ProtiWanze® (CDS)

#### Raw materials

Wheat and sugar syrups



### Loon-Plage, France

#### Annual capacity

- > 100,000 m<sup>3</sup> bioethanol for fuel applications
- 90,000 m<sup>3</sup> bioethanol for traditional and technical applications

#### Raw materials

Raw alcohol



### Wilton, Great Britain

#### Annual capacity

- 400,000 m<sup>3</sup> bioethanol for fuel applications
- 350,000 t DDGS

#### Raw materials

Wheat



# ES AG

## The products



**Bioethanol**  
• for fuel applications



**Bioethanol**  
• for traditional  
and technical  
applications



**Liquefied CO<sub>2</sub>**  
• for food and  
industrial  
applications



**Gluten**  
• high-quality wheat  
protein for food and  
• animal feed, e.g. for  
aqua cultures



**ProtiGrain®**  
• protein feed in pellet  
or powder form  
for cattle, pigs and  
poultry



**ProtiWanze®**  
• liquid protein feed  
for cattle and pigs

## LETTER TO SHAREHOLDERS

Dear shareholders,

CropEnergies seized the opportunities. This could be the headline for the 2015/16 financial year, which, contrary to initial fears, developed into a decidedly successful year. After the last two financial years had been characterised by an unprecedented decline in prices on the European bioethanol markets, the market situation improved significantly over much of the year. This is all the more remarkable in view of the dramatic slump in the price of oil. Another geopolitically motivated increase in oil production may have been the main driver here. What is crucial for us is that bioethanol, as a climate-friendly alternative to fossil fuels, was able to largely decouple itself from this development and now again achieves a premium on petrol. This is also appropriate owing to the greenhouse gas reductions achieved. In addition to the pleasing price trend, we also benefited from active capacity management. By temporarily closing our plant in Wilton, we put the priority on profitability rather than on quantity.

In total, CropEnergies generated net earnings of € 42.6 million following a loss of € 58.0 million in the previous year, which included special costs due to the temporary closure in Wilton. At the same time, we cut debt by more than half (by € 84 million) to € 66 million. The executive board and supervisory board will take the opportunity provided by this pleasing development to propose to the annual general meeting that a dividend of € 0.15 per share be distributed.

We made further investments in all sites in the past financial year. The neutral alcohol plant in Zeitz is operating at high capacity utilisation rates and the plant in Wilton is ready, owing to the optimisation activities and improvements, to resume production within a few weeks. Utilisation of the CropEnergies Group's full capacity of 1.3 million m<sup>3</sup> of bioethanol is, however, contingent upon a sustained improvement in the market situation. This will require further assistance in terms of environmental policy even though the discussion in the EU about the necessary increase in the proportion of renewable energies in the transport sector was brought to a close in September 2015 after almost three years of debate. The foundations for the development of the bioethanol market in Europe up to 2020 have been laid, and up to 7% of the 10% target for the transport sector can stem from so-called conventional biofuels like our bioethanol, which is certified to be sustainable. This political decision clears the way not only for E10 to be made available in Germany, France and Finland, but also for it to be established in all other EU member states. Without across-the-board use of E10, it will not be possible to achieve the EU's climate targets. The European fuel standard for this has already been in existence since 2012. Actions now need to follow.

Germany is regarded as a forerunner in Europe and, at the beginning of 2015, introduced a greenhouse gas reduction target in place of an energy-based biofuel quota. The biofuel industry responded to this, increasing greenhouse gas savings far above the statutorily required minimum to more than 60%, on average, compared with fossil fuels. It is regrettable, however, not least in terms of the environment, that oil companies answered the higher savings by reducing the use of biofuel. Accordingly, there was a slight fall in bioethanol consumption over the past year. What is needed here is for policymakers to bring forward the increases in greenhouse gas savings that were already planned over the next few years. The United Nations Conference on Climate Change in Paris in December 2015 showed that this step is both appropriate and important by calling for global warming to be limited to less than 2 °C. This will succeed only if fossil energy sources are abandoned. Biofuels can make an important contribution here. We therefore advocate the specification of mandatory targets for the use of renewable energies and the reduction of greenhouse gas emissions in the transport sector for 2030 as well.



We do not expect any significant new boost in demand for bioethanol in the 2016/17 financial year. Current forward prices indicate lower ethanol prices than in the previous year. Given the continuing wide fluctuation in ethanol prices, we expect operating profit to be between € 30 and € 70 million.

We would not have been able to achieve the pleasing result in the 2015/16 financial year without our dedicated employees. We would like to express our particular thanks to them. We look forward to continuing collaboration to bring about the corporate success of CropEnergies.

We would like to thank you, dear shareholders, for providing your support despite turbulent times and unsatisfactory share price development. We will be pleased to receive your continued support in future.

Kind regards,

Joachim Lutz

Chief Executive Officer (CEO)

Michael Friedmann

Chief Sales Officer (CSO)

Dr. Stephan Meeder

Chief Financial Officer (CFO)



## SUPERVISORY BOARD AND EXECUTIVE BOARD

### Supervisory board

**Prof. Dr. Markwart Kunz**

*Chairman*

**Braunschweig**

*Former member of the executive board of Südzucker AG*

**Thomas Kölbl**

*Deputy Chairman (from 30 April 2015)*

**Speyer**

*Member of the executive board of Südzucker AG*

**Dr. Lutz Guderjahn**

*until 30 April 2015*

*Deputy Chairman*

**Offstein**

*Member of the executive board of Südzucker AG*

**Dr. Hans-Jörg Gebhard**

**Eppingen**

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

**Dr. Wolfgang Heer**

*from 13 May 2015*

**Ludwigshafen am Rhein**

*Chairman of the executive board of Südzucker AG*

**Franz-Josef Möllenberg**

**Rellingen**

*Secretary of the Gewerkschaft Nahrung-Genuss-  
Gaststätten (Union)*

**Norbert Schindler**

**Bobenheim am Berg**

*Member of the Bundestag (Lower house of German Parliament)*



## Executive board

### Joachim Lutz

*Chief Executive Officer (CEO)*

#### Mannheim

*Production, business development, public relations,  
marketing, investor relations, compliance and personnel*

### Dr. Marten Keil

*until 30 April 2015*

*Chief Operating Officer (COO)*

#### Heidelberg

*Production, procurement, sales, marketing, public affairs,  
public relations, business development and personnel*

### Michael Friedmann

*from 30 April 2015*

*Chief Sales Officer (CSO)*

#### Mannheim

*Procurement and sales*

### Dr. Stephan Meeder

*from 30 April 2015*

*Chief Financial Officer (CFO)*

#### Mannheim

*Finance, accounting, controlling and risk management*



*Michael Friedmann, Joachim Lutz, Dr. Stephan Meeder*

*A list of mandates held can be found on page 128 onwards of  
the annual report.*





RAW MATERIAL





# ALS

**Which raw materials  
does CropEnergies  
process?**



## European sugar beets and feed grain

In its production plants, CropEnergies only processes sustainably cultivated European raw materials. Only feed grain which is not suitable for human consumption and baking is used. For example feed wheat which grows mainly in the areas around the production plants as well as sugar beets from the neighboring sugar factories.



## Raw materials grown nearby

Sue to the location of the production plants in rural areas, mainly raw materials from a radius of approximately 200 km around the plants are used. This does not only save transport costs but also energy and is an important source of income for the local agriculture.



## Sustainably cultivated raw materials

When cultivating the raw materials, sustainability has to be minutely documented and various environmental and social standards have to be adhered to. The amount of fertilizer or pesticides that can be used, for example, is limited. Only biomass which can prove it was produced according to those standards and whose provenience is completely documented, can be used to make certifiably sustainable ethanol. As at CropEnergies.





## SUPERVISORY BOARD REPORT

Dear shareholders,

There is often a fine line between highs and lows in the renewable energies industry. This also applies to European bioethanol, the alternative to imported fossil oil. What proved to be an extremely difficult financial year in 2014/15 owing to a sharp price decline was followed by an outstanding financial year in 2015/16 thanks to increasing bioethanol revenues. Bioethanol again achieved a premium on petrol for most of the financial year, which meant that the high reductions in greenhouse gas emissions shown to be brought about by bioethanol were also finally rewarded again. In view of the continuing sluggish demand for bioethanol in the EU, the supervisory board supports the executive board in emphasising profit optimisation through deliberate reduction of production. It is pleasing that European policymakers have now also been signalling a further expansion of renewable energies in the transport sector, which opens up prospects for the industry beyond 2020. It is clear, however, that renewable energies will also continue to be subject to price fluctuations and that bioethanol will not be an exception to this in future either.

The supervisory board concerned itself closely with the business development, the financial position and the business prospects of the CropEnergies Group in the reporting year, coordinating closely with the executive board. In doing so, the supervisory board performed the duties incumbent upon it according to the law, the articles of association and the rules of procedure in supervising and advising the executive board in the management of the company's affairs.

**Cooperation between the supervisory board and the executive board** | The supervisory board was directly involved in all decisions of fundamental importance relating to the CropEnergies Group and was kept continuously informed in a timely and comprehensive manner about the corporate planning, the course of business, the position and the development of the CropEnergies Group, including the risk situation, risk management and compliance. The executive board determined the strategic orientation of CropEnergies in consultation with the supervisory board. The business transactions that are important for the company were discussed in detail on the basis of the reports of the executive board.

The supervisory board had regular contact with the executive board between the supervisory board meetings and kept itself regularly informed about all events of major importance and the current development of the company's position. The executive board also reported on corporate policy, profitability, risk management and the corporate, financial, investment, research and personnel planning related to CropEnergies AG and the CropEnergies Group. The supervisory board chairman delved into these topics in numerous working meetings with the executive board.

**Supervisory board meetings and resolutions** | Four ordinary meetings of the supervisory board, each of which was attended by the executive board, took place in the 2015/16 financial year. Three extraordinary meetings also took place, two of which were held as conference calls. Following thorough review and discussion, the supervisory board agreed to all the resolution proposals of the executive board.

The focal points of the reporting at the ordinary meetings were the developments on the raw materials and sales markets, the hedging of market price risks, the political framework conditions for biofuels, the progress of production and investments, and the current earnings situation.

The extraordinary meetings (conference calls) on **23 March** and **2 April 2015** were concerned with personnel matters.

At the extraordinary meeting on **30 April 2015**, the resignations of supervisory board member Dr. Lutz Guderjahn and executive board member Dr. Marten Keil were addressed and the future structure of the executive board discussed. The supervisory



board appointed Joachim Lutz as Chief Executive Officer and Michael Friedmann and Dr. Stephan Meeder as additional members of the executive board with a term of office until 29 April 2020. The supervisory board decided upon the new allocation of responsibilities and determined the executive board compensation. Furthermore, information was provided about the application for the judicial appointment of Dr. Wolfgang Heer as successor to Dr. Lutz Guderjahn on the supervisory board. Thomas Kölbl was elected as Deputy Chairman of the supervisory board with immediate effect.

At its annual account meeting on **18 May 2015**, the supervisory board devoted its attention to the annual financial statements and management reports of CropEnergies AG and the consolidated group for 2014/15, issued with an unqualified audit opinion by the independent auditor. The independent auditor reported on the focus and results of the audit, which also included the accounting-related internal control system. After detailed discussion, the supervisory board adopted the annual financial statements and approved the consolidated financial statements. At this meeting, it also discussed the agenda and the proposals for the 2015 annual general meeting and approved the short- and medium-term investment planning.

At the meeting on **14 July 2015** (prior to the annual general meeting), the medium-term planning was presented. This was followed by the election of Dr. Wolfgang Heer – as Dr. Lutz Guderjahn's successor – as a member of the audit committee and the nomination committee. The supervisory board also extended the executive board appointment and the employment contract of Joachim Lutz until 3 May 2021. Finally, the supervisory board defined the target figure for the proportion of women in the supervisory board and the executive board.

At the meeting on **9 November 2015**, the supervisory board discussed the earnings forecast for the current financial year and the current political environment for renewable energies in the transport sector. As in previous years, the supervisory board mainly focused on the issue of corporate governance. It conducted the annual review of the efficiency of its activities and approved the declaration of conformity for 2015.

At the meeting on **14 January 2016**, the earnings projection for the current 2015/16 financial year was presented. The supervisory board decided upon the adjustment of the rules of procedure for the executive board to bring them into line with a new recommendation set out in the German Corporate Governance Code.

Apologies for absence were received from one member at each of the three supervisory board meetings. Otherwise, all members of the supervisory board were present in person at the meetings.

**Supervisory board committees** | In order to carry out its duties more efficiently, the supervisory board has formed an audit committee and a nomination committee.

The **audit committee**, to which the supervisory board members Thomas Kölbl (Chairman), Dr. Wolfgang Heer (since 14 July 2015), Prof. Dr. Markwart Kunz and Franz-Josef Möllenberg belong, convened five times in the 2015/16 financial year, in four meetings and one conference call. In accordance with the recommendations of the German Corporate Governance Code, the chairman of the audit committee is not at the same time chairman of the supervisory board.

At its meeting on **11 May 2015**, the audit committee closely studied the annual financial statements of CropEnergies AG and the consolidated financial statements in the presence of the independent auditor. It prepared the annual account meeting of the supervisory board during which the supervisory board, after being briefed by the chairman of the audit committee,



accepted the recommendations of the audit committee. Furthermore, it discussed the proposal to appoint the independent auditor and examined the latter's independence.

At the meeting on **6 July 2015**, the audit committee discussed the interim report for the 1<sup>st</sup> quarter of 2015/16.

At the meeting on **14 July 2015**, the audit committee discussed the independent auditor's quotation for the audit mandate and issued the mandate.

At the meeting on **5 October 2015**, the audit committee discussed the interim report for the 1<sup>st</sup> half of 2015/16. At the supervisory board's instruction, the audit committee also addressed the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system, and the internal auditing system.

At the meeting on **8 January 2016**, the audit committee discussed the interim report for the 3<sup>rd</sup> quarter of 2015/16. Owing to the preceding invitation to tender for a new contract award, four public auditing companies also introduced themselves.

All members were present at, or connected by telephone to, the audit committee's meetings and conference calls.

The **nomination committee**, to which the supervisory board members Thomas Kölbl (Chairman), Dr. Wolfgang Heer (since 14 July 2015), Prof. Dr. Markwart Kunz and Franz-Josef Möllenberg belong, convened on **11 May 2015** in the 2015/16 financial year. Taking the supervisory board's diversity objectives into account, a recommendation was made to the latter that Dr. Wolfgang Heer, who had already been court-appointed, be recommended to the 2015 annual general meeting for election as a shareholder representative.

The chairman of the respective committees reported on the content and results of the committee meetings at the next supervisory board meeting.

**Review of the supervisory board's efficiency** | The supervisory board again reviewed the efficiency of its activities in accordance with the recommendation pursuant to paragraph 5.6 of the German Corporate Governance Code. This is performed every year on the basis of a questionnaire without external support. The questionnaire is adapted in each case to the changes in the Code. The evaluation of the questionnaires, the discussion of the results and the deliberations on proposed improvements took place at the meeting on 9 November 2015. The objective is the continuous improvement of the activities of the supervisory board and its committees.

**Corporate governance** | Comprehensive information on corporate governance at CropEnergies, including the wording of the supervisory board's diversity objectives for its future composition and the declaration of conformity for 2015 issued jointly by the executive board and supervisory board, can be found in the declaration on corporate management on pages 37–45 of the corporate governance report. Additionally, all the relevant information is available on the CropEnergies website [www.cropenergies.com](http://www.cropenergies.com) on the investor relations pages.

The executive board fulfilled its duties, assigned to it by law and the rules of procedure, to inform the supervisory board in an exhaustive and timely manner. The supervisory board also assured itself of the due and proper conduct of the company's affairs and the effectiveness of the company's organisation and discussed these matters at length in talks with the independent auditor. The same applies with regard to the effectiveness of the CropEnergies Group's risk management system.



In the reporting period, the supervisory board was not notified by any of its members of a conflict of interest – especially no conflict of interest that could arise as a result of an advisory function or position on a board or committee at customers, suppliers, creditors or other business partners.

**Annual financial statements** | PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt am Main, which was elected by the annual general meeting at the proposal of the supervisory board, has audited the annual financial statements and management report of CropEnergies AG for the 2015/16 financial year, and the consolidated financial statements and the group management report for 2015/16, and has issued an unqualified audit opinion in each case. Further, the auditor has confirmed that the executive board has suitably complied with the measures that were incumbent upon it pursuant to § 91 (2) AktG. In particular, it has created an appropriate information and monitoring system in line with company requirements that appears suited to its purpose of identifying in good time developments that could be a threat to the company's existence.

In light of the notice given by Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG) that, including the around 69% shareholding held by Südzucker AG, it directly and indirectly holds around 76% of the voting rights, the executive board has drawn up a report pursuant to § 312 AktG. The independent auditor has reviewed this report, has provided a written report on the results of its review and confirmed that the actual facts set out in the report are correct; payments by the company in connection with legal transactions referred to in the report were not unreasonably high, and no circumstances indicate any materially different assessment than that given by the executive board.

The documents to be examined and the auditor's reports were distributed in good time to each supervisory board member. The independent auditor was present at the audit committee's meeting on 4 May 2016 and at the supervisory board's annual account meeting on 17 May 2016, and reported in detail on the procedures and findings of its audit. After detailed discussions, the supervisory board noted and agreed with the auditor's reports. The findings of the audit committee's prior review and the findings of the supervisory board's own review are fully consistent with the findings of the independent audit. The supervisory board raised no objections to the financial statements presented. It approved the annual financial statements of CropEnergies AG prepared by the executive board as well as the consolidated financial statements of the CropEnergies Group at its meeting on 17 May 2016; the annual financial statements of CropEnergies AG are thereby adopted. The supervisory board has agreed with the executive board's proposal on the use of the unappropriated profit, with the distribution of a dividend of € 0.15 per share.

Mannheim, 17 May 2016

**On behalf of the supervisory board**

**Prof. Dr. Markwart Kunz**  
Chairman



## SHARE AND CAPITAL MARKET

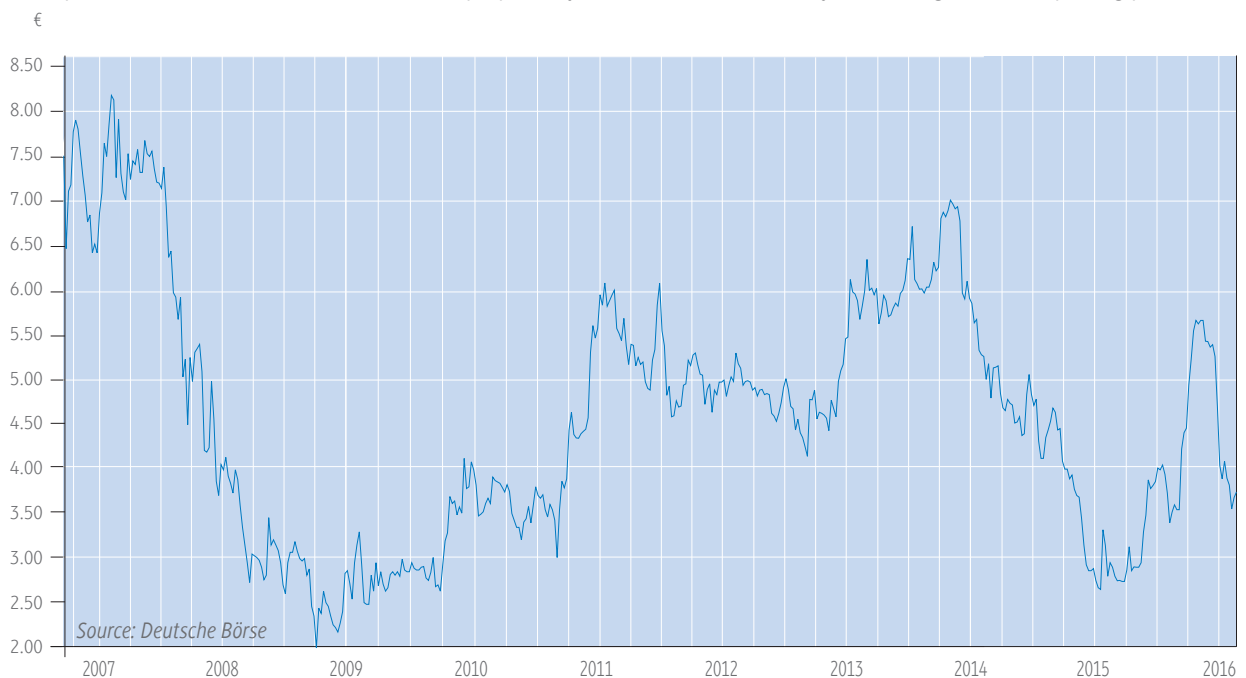
### Capital market environment

At the beginning of the reporting period, the focus was once again on the monetary policy of the European Central Bank (ECB), which had set itself the goal of using extensive bond purchase programmes to prevent deflationary trends in the eurozone and to strengthen the economy. After DAX® and MDAX® had started at 11,280 and 20,092 points, respectively, on 2 March 2015, the DAX® reached the highest level in its history, at 12,375 points, on 10 April 2015. In addition to central banks' expansionary monetary policy, this was underpinned by a weak euro and positive indications from the stock exchanges in the USA and Asia. The MDAX® reached its high in the reporting period, at 21,623 points, on 13 April 2015. Weak economic data from China caused a slide on international stock markets in the 2<sup>nd</sup> half of 2015. As a result, the DAX® fell below the 9,500 point mark. Towards the end of 2015, strong growth in consumer spending in the USA gave a boost to the American economy, prompting the American central bank to raise the base rate for the first time in 9 years on 17 December 2015. The DAX® was also able to make a slight recovery again towards the end of the 2015 calendar year. However, 2016 began with global fears over the economy, with the slump in oil prices to less than USD 30/barrel now being seen as a strain on share markets. Strong selling pressure in relation to shares in favour of purportedly safer

investment classes such as gold caused the DAX® to fall to its lowest level in the reporting period on 11 February 2016, at 8,753 points. On 29 February 2016, DAX® and MDAX® were trading at 9,495 (11,402) and 19,422 (20,092) points, respectively, a decline of 17% and 3%, respectively.

### Performance of the CropEnergies share

The CropEnergies share began the 2015/16 financial year on 1 March 2015 at an initial price of € 3.00, reaching its low for the reporting period on 24 March at € 2.65. This had been preceded by a drastic slump in ethanol prices in Europe, based on which CropEnergies decided to halt the production at Wilton temporarily. After a corresponding improvement in cost structure and an increase in ethanol prices, CropEnergies was able to announce positive figures for the 1<sup>st</sup> quarter of 2015/16 as early as mid-June and raise the outlook for the financial year, whereupon the share price recovered to a level of around € 4. Owing to the continuing improving price environment for bioethanol, CropEnergies reported, at the end of September 2015, on the best operating profit for the first half year in its history and again raised the outlook for the year as a whole. The response on the stock exchange in the following weeks was a rise in the share price to more than € 6, which corresponded to a doubling of the share price since the beginning of the financial year. The high for the reporting period was



Performance of the CropEnergies share since the initial public offering on 29 September 2006 until 29 February 2016 (XETRA® closing prices)





reached on 18 November 2015 at € 6.05. At the beginning of 2016, however, the CropEnergies share was unable to escape the despondent mood on the stock markets, particularly not the weaker price environment for bioethanol, closing on 29 February 2016 at € 3.80. This meant that there was an overall increase in value of 27%. The benchmark index, DAXsubsector Renewable Energies of Deutsche Börse, increased by 60% in the reporting period.

### Stock exchange listing and shareholder structure

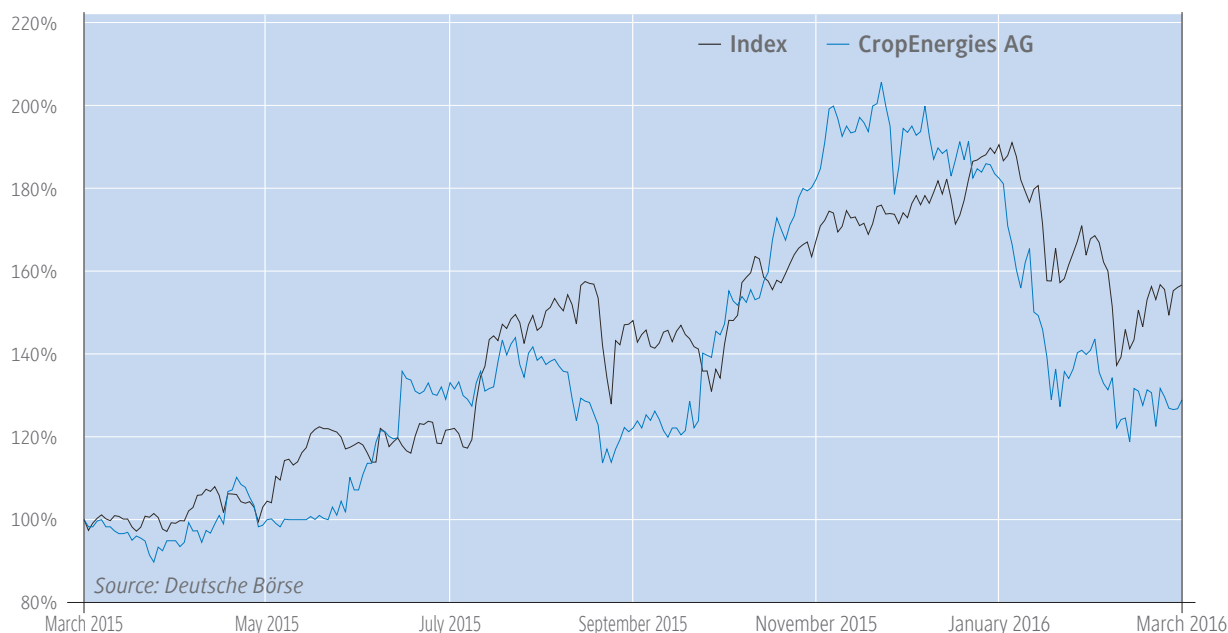
The CropEnergies AG share (ISIN DE000A0LAUP1) is listed in the Regulated Market (Prime Standard) on the Frankfurt Stock Exchange. The share is also traded in the XETRA® electronic trading system and in the over-the-counter market at the stock exchanges in Frankfurt, Stuttgart, Düsseldorf, Hamburg, Munich and Berlin. Südzucker AG continues to hold around 69%, and Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG) around 7% of the shares of CropEnergies AG. No other significant shareholdings have been reported. At the time of the annual general meeting in 2015, CropEnergies shares were located in approximately 12,000 – mainly private – deposit accounts.

### Annual general meeting 2015

Approximately 600 shareholders attended the annual general meeting held on 14 July 2015 in the Rosengarten Congress Centre in Mannheim. The shareholders present represented 83% of the capital and were particularly interested in developments on the agricultural and energy markets relevant to CropEnergies and developments within the company. These included the initial operation of neutral alcohol production in Zeitz at the beginning of the year and the adjustment of capacity utilisation rates through the temporary closure of the plant in Wilton. The shareholders' interest also centred on changes to the executive board and supervisory board as well as the political framework for bioethanol in Germany and the EU. All the proposals put forward by the executive and supervisory boards were passed in each case by a majority of over 99%.

### Dividend proposal 2016

The executive board and supervisory board will propose to the annual general meeting on 12 July 2016 that a dividend of € 0.15 be distributed. An amount of € 13.1 million is therefore expected to be paid out to shareholders. Based on a closing price of € 3.80 on 29 February 2016, that corresponds to a dividend yield of 3.9%.



Performance of the CropEnergies share versus the DAXsubsector Renewable Energies performance index from 1 March 2015 to 29 February 2016



## Details

CropEnergies AG	
ISIN	DE000A0LAUP1
WKN	A0LAUP
Symbol	CE2
Class of share	No-par-value bearer ordinary shares
Sector	Industrial goods
Sub-sector	Renewables
Transparency level	Prime Standard
Market segment	Regulated Market
Stock exchanges	XETRA®: Frankfurt Over-the-counter market: Stuttgart, Düsseldorf, Hamburg, Munich, Berlin
Number of shares	87,250,000
Subscribed capital (€)	87,250,000
Listed capital (€)	87,250,000
First listed / IPO	29 September 2006
Shareholder structure	Südzucker AG (69%), Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (7%), free float (24%)

## Key figures

		2015/16	2014/15
Financial year-end closing price (€)		3.80 (29/02/2016)	3.00 (28/02/2015)
High (€)		6.05 (18/11/2015)	5.28 (27/03/2014)
Low (€)		2.65 (24/03/2015)	2.70 (20/01/2015, 30/01/2015)
Market capitalisation at financial year-end (in € million)		332	262
Average daily turnover (number of shares)		60,890	32,759
Earnings per share according to IAS 33 (€)		0.49	-0.67
Dividend per share (€)		0.15*	0.00

\*Proposal

Source: Deutsche Börse AG, XETRA® data

## Market capitalisation and turnover

CropEnergies had a market capitalisation of € 332 million as of the reporting date on 29 February 2016. The volume of all CropEnergies' shares traded on all the German stock exchanges in the past financial year amounted to 15 (8) million shares. That corresponds to an average daily turnover of approximately 61 (33) thousand shares.\*

## Investor relations

CropEnergies provides timely and transparent information, particularly via its website [www.cropenergies.com](http://www.cropenergies.com). Among other things, interested parties will find financial reports, press releases and capital market law notices (e.g. directors' dealings and ad hoc announcement, the financial calendar and up-to-date capital market presentations here. Numerous brochures of CropEnergies AG can also be downloaded here, or they can be sent by e-mail or by post on request.

In the reporting period, CropEnergies was represented at analyst and capital market conferences as well as road shows in Frankfurt, London and Zurich to clarify the company's business development and corporate strategy. The quarterly results were reported on through conference calls. The investor relations department is available on a daily basis for an exchange of information by telephone, a service which is also offered, in particular, to private shareholders.

\*Source: Deutsche Börse Stock Report

## FOUNDATIONS OF THE GROUP

### Group structure

The CropEnergies Group has several production plants for neutral and fuel ethanol and for food and animal feed products in Europe. Its sales markets are mainly located in Europe. Specifically, CropEnergies AG owns, directly or indirectly, 100% of the following German and foreign subsidiary companies:

- CropEnergies Bioethanol GmbH, Zeitz
- CropEnergies Beteiligungs GmbH, Mannheim
- BioWanze SA, Brussels (Belgium)
- Ryssen Alcools SAS, Loon-Plage (France)
- Compagnie Financière de l'Artois SA, Paris (France)
- Ensus Ltd, Yarm (United Kingdom)
- Ensus UK Ltd, Yarm (United Kingdom)
- Ryssen Chile SpA, Lampa, Santiago de Chile (Chile)
- CropEnergies Inc., Houston (USA)

In addition, CropEnergies AG indirectly owns 50% of

- CT Biocarbonic GmbH, Zeitz.

In Zeitz (Germany), CropEnergies Bioethanol GmbH operates a plant for producing around 400,000 m<sup>3</sup> of bioethanol a year. Most of the production is used as renewable fuel. Up to 60,000 m<sup>3</sup> can also be processed into high-quality food-grade neutral alcohol. In addition, it is possible to produce yearly more than 300,000 tonnes of the dried protein animal feed ProtiGrain® as well as thermal energy and electricity.

CropEnergies Beteiligungs GmbH is a German intermediate holding company and does not have its own production facilities.

BioWanze SA operates a plant in Wanze (Belgium) for the production of bioethanol, gluten, the liquid protein animal feed ProtiWanze® and thermal energy and electricity. The plant has an annual production capacity of approximately 300,000 m<sup>3</sup> of bioethanol. In addition, approximately 55,000 tonnes of gluten and more than 350,000 tonnes of ProtiWanze® can be produced per year. BioWanze uses the bran from the delivered wheat grain to generate a large part of the process energy required in a biomass plant, the only one of its kind in the world so far. As a result, the bioethanol produced with this innovative energy concept today already comfortably exceeds

the requirements for greenhouse gas savings standards that will apply from the year 2018.

Ensus UK Ltd has a plant with an annual capacity of approximately 400,000 m<sup>3</sup> of bioethanol and 350,000 tonnes of protein animal feed in Wilton (United Kingdom). In addition, up to 250,000 tonnes of biogenic CO<sub>2</sub> from fermentation can be supplied to a liquefaction plant, which refines it for the food industry, in particular.

Ensus Ltd, a British holding company with no production facilities of its own, was dissolved as of 1 March 2016.

Ryssen Alcools SAS (Ryssen) operates a plant for the rectification (purification) and dehydration (drying) of raw alcohol in Loon-Plage (France). For the rectification of raw alcohol for traditional and technical applications, there is an annual capacity of up to 90,000 m<sup>3</sup> of neutral alcohol. The annual capacity for the dehydration of raw alcohol, especially for the fuel sector, is more than 100,000 m<sup>3</sup> of bioethanol. In addition, Ryssen holds 100% of the shares in Ryssen Chile SpA, which distributes neutral alcohol to the Chilean market.

Compagnie Financière de l'Artois SA (COFA) is a French intermediate holding company, having a 100% equity interest in Ryssen.

CropEnergies Inc. is a trading operation based in Houston (USA).

CT Biocarbonic GmbH is a joint venture established for the production and sale of food-grade liquefied CO<sub>2</sub>. It operates a production plant in Zeitz for the purification and liquefaction of biogenic CO<sub>2</sub> from bioethanol production from the neighbouring CropEnergies plant. The plant has an annual capacity of 100,000 tonnes of liquefied CO<sub>2</sub>, which is used predominantly in the food industry.

### Corporate management

The executive board of CropEnergies AG is solely responsible for managing the affairs of the company and is monitored and advised by the supervisory board in this function. The executive board is required to act in the company's interest and obliged to increase sustainable enterprise value. The members of the executive board share joint responsibility for



management. Notwithstanding this overall responsibility, the members of the executive board manage the departments assigned to them under their own responsibility within the scope of executive board resolutions. The articles of association of CropEnergies AG stipulate that important business transactions are subject to approval by the supervisory board.

The executive board is responsible for ensuring that adequate risk management and risk controlling procedures are in place in the company and works towards compliance with legal requirements, official regulations and company-internal guidelines (compliance). It also ensures that management functions within the company are appropriately filled.

### Value-based management

To implement value-oriented corporate management, CropEnergies deploys a reporting and planning system that is uniform across the group and, based on this, applies centrally defined indicators. Significant financial indicators relevant to management are the revenues reported in the income statement and the operating profit. In the case of the operating profit, income from operations as shown in the income statement is adjusted for net restructuring costs and special items as well as for earnings from entities consolidated at equity. In addition to the two financial performance indicators, revenues and operating profit, no further financial and no non-financial performance indicators are currently relevant to the CropEnergies Group.

### Financial management

Capital management within the CropEnergies Group comprises control of cash, equity and debt positions. CropEnergies' aim is a balance sheet structure with a high level of equity, which secures the company's growth strategy, taking standard business risks at reasonable capital costs into account and with above-average creditworthiness.

The CropEnergies Group's financing is based on the ability to generate consistently positive cash flows, stable relations with the shareholder groups backing the company, access to the capital markets and reliable banking relationships. The communication with capital market participants pursues a policy of financial transparency based on a reporting system which

defines both the corporate planning and the reporting processes, using the same valuation and disclosure principles.

### Guiding principles and corporate strategy

The CropEnergies Group's mission is to work in concert with its partners to shape the future responsibly and to develop solutions today for the social and corporate challenges of tomorrow. The focus is on the production and marketing of bioethanol – the world's No. 1 biofuel. As one of the leading European bioethanol producers, CropEnergies combines business success with social responsibility and environmental protection. The company's aim is to grow profitably, to increase enterprise value in the long term and to take the interests of shareholders, customers, suppliers and employees into account, through sustainable and responsible business activity.

The products produced aim to improve the quality of life for the present generation while safeguarding that of future generations. As a regenerative substitute for petrol, the bioethanol produced from renewable raw materials is proven to reduce greenhouse gases, conserves the world's limited fossil resources, and thus furthers future mobility. Protein-rich food and animal feed products are produced from the residues of bioethanol production. These make an important contribution to reducing European import requirements for vegetable proteins, particularly soy from South America. CropEnergies fully exploits all of the raw materials it uses to provide food, feed and fuel and, in this way, also honours its responsibility to society as one of the leading European market producers of food and animal feed products.

The CropEnergies Group achieves its objectives through operating excellence and innovations, relying on its own core competences – the large-scale processing of agricultural raw materials into high-grade products and their marketing. What is instrumental here is the extensive know-how across the entire bioethanol, food and animal feed production value chain – from crop growing to production through to transport, marketing and consumer counselling. With its innovative production facilities, CropEnergies sets standards in terms of technology, efficiency, flexibility and greenhouse gas reductions. This is complemented by an optimised sourcing management and a logistics network that is unique in Europe. The company's marketing and logistics expertise makes it a reliable partner,



too. CropEnergies intends to use innovations to secure a competitive edge in the existing activities, tap new markets and develop solutions for the challenges of the future. Key to the company's success are the knowledge, experience, social skills, satisfaction and dedication of its employees. The company also aims to continue to develop these strengths by training and advancing its employees.

Opportunities to grow as a company are constantly utilised, taking the given framework conditions and existing skills into account. Structural changes present an opportunity to develop the company. The growing demand for energy and food calls for the efficient use of agricultural resources. This also presents future opportunities for CropEnergies to develop attractive new areas of business and to grow profitably. The company places great value on transparent reporting and open communication with all capital market participants. The contact with investors and capital markets is also important for funding further growth.

CropEnergies operates sustainably in the interest of the company's successful development and a future worth living.





## SUSTAINABILITY REPORT

### Sustainability within the CropEnergies Group

#### Importance to the company

CropEnergies' core business is the production of a sustainable alternative to fossil fuel. A central component of the business model is the processing of renewable raw materials and the simultaneous production of valuable food and animal feed products. For CropEnergies, sustainable business activity is not only a special obligation, but also means reconciling ecology, economics and social responsibility. This is the prerequisite for the company's success.

Sustainability is also gaining in importance for our customers. In view of the demand for more climate-friendly fuels, oil companies are therefore increasingly gearing their purchase of bioethanol to proven greenhouse gas savings.

Bioethanol production for the European market must be certified as sustainable. Independent certification systems approved by the European Commission are responsible, among other things, for monitoring and inspecting the complete value chain. These systems guarantee a resource-saving approach to the natural environment along the entire value chain, from the cultivation of the biomass to the production of the end products, culminating in their delivery. CropEnergies, however, aims not only to fulfil the statutory requirements, but also to surpass them.

Over and above the important environmental aspects of sustainability, CropEnergies also recognises the social requirements and is increasing its endeavours to inform stakeholders about relevant aspects of sustainability.

#### CropEnergies' sustainability strategy

CropEnergies wants to align the activities along the entire value chain, from agricultural raw materials to the finished product, in the interests of sustainability.

It pays particular attention to the following aspects:

- Resource-saving use with regard to the careful selection of agricultural products
- Fullest possible utilisation of agricultural raw materials
- Continuous improvement of production technologies in respect of their environmental impact and energy efficiency
- Efficient quality, environment and energy management
- Respecting the interests of all stakeholders material to CropEnergies
- Long-term partnerships, e.g. with raw material suppliers and customers

#### Stakeholders of CropEnergies Group

CropEnergies' stakeholders include customers, suppliers, employees, shareholders and financial institutions, as well as society and the general public.

CropEnergies engages in dialogue with these stakeholders in line with their varying interests.

#### Main areas of activity

CropEnergies would like to analyse and present all activities along the entire value chain in terms of their relevance for sustainable business conduct and track their development.

The following areas of activity, some of which match the criteria of the Global Reporting Initiative (GRI), were selected in the interests of stakeholders:

- Procurement of agricultural raw materials
- Environmental and energy aspects in production
- Product responsibility, quality and safety
- Social responsibility
- Working conditions and human rights



## Procurement of agricultural raw materials

The starting point for CropEnergies' sustainability activities is the upstream value chain, particularly the safeguarding and documentation of sustainability criteria in the procurement of agricultural raw materials. CropEnergies uses only agricultural raw products of European origin that are mostly procured close to the respective site. The transport routes are commensurately short, which means that environmental pollution remains low.

All raw material suppliers in the EU fulfil the principles of cross-compliance applicable to agricultural production with the corresponding requirements for agriculture to ensure that agricultural raw materials are grown sustainably. The sustainability criteria for raw materials for the production of biofuels even go beyond the cross-compliance requirements. They ensure that from the cultivation of biomass through to bio-energy production and use, significant greenhouse gas emission savings compared with fossil fuels are achieved. They also stipulate that the raw materials must not be grown in sensitive areas such as first-growth forests (e.g. rainforest) and the areas must not be extended at the expense of biodiversity. In order to guarantee this, all interfaces involved in production are regularly audited by independent and recognised experts and certified in accordance with certification systems recognised by the EU (e.g. REDcert EU, ISCC EU or 2BSvs). Compliance with the criteria is laid down in the contracts with raw material suppliers.

## Environmental and energy aspects in production

### Principles of production

It is the aim of CropEnergies, in processing agricultural raw materials into bioethanol, food and animal feed products, to minimise resource requirements, energy use and possible environmental impact whilst observing the highest quality standards.

This means that plant designs and production processes (and corresponding supply chains) are constantly reviewed, assessed and optimised, over and beyond the statutory requirements, in respect of their environmental impact and their energy efficiency.

Innovative manufacturing processes are developed and deployed in production. A further advantage is the company's integration into the Südzucker Group's network of sites. For example, sugar, bioethanol, neutral alcohol, food and animal feed products, biogenic carbon dioxide and, since the beginning of 2016, wheat starch and gluten are being produced from sugar beet and grain in four production plants in Zeitz.

All CropEnergies' bioethanol plants are certified as sustainable in accordance with at least one of the certification systems recognised by the European Commission. The plants in Zeitz, Wanze and Loon-Plage are certified in accordance with the European version of REDcert. In addition, Zeitz is certified in accordance with the German version of REDcert and Loon-Plage in accordance with 2BSvs. The plant in Wilton has its own certification system, which is recognised by the European Commission, and also holds an ISCC EU certificate. The certifications of the bioethanol plants need to be confirmed on an annual basis.

The certifications enable CropEnergies to demonstrate that the bioethanol produced meets the sustainability criteria of the "Renewable Energies Directive". One of the stipulations of this Directive is that savings of at least 35 wt.-% greenhouse gas emissions compared with the use of conventional fuels must be realised across the entire value chain. With greenhouse gas reductions of up to 60 wt.-% and more, the production plants in Wanze, Wilton and Zeitz are currently already surpassing the requirements of more than 50 wt.-% that will apply in the EU from 2018 onwards.

CropEnergies goes one step further in saving resources: thanks to its integrated production concepts, the raw materials used



are completely processed into high-grade products, thereby virtually eliminating any waste materials. CropEnergies processes the components contained in the raw materials that are not required for bioethanol and neutral alcohol production into high-quality food and animal feed products. These components contain valuable protein, which reduces the supply gap for vegetable proteins in Europe and lessens the need for imports of protein animal feeds, especially in the form of soybeans and soy meal from South America.

Studies show that the production of European bioethanol from domestic feedgrain and industrial beet has no significant impact on global requirements for arable land. On the contrary, every hectare that is cultivated in the typical crop rotation in Europe produces not only raw materials for the production of 4,000 litres of bioethanol, but also more than 4,000 kg of animal feed, for which 1.9 times the area of sugar cane and soybean would be utilised in South America. Bioethanol from EU production therefore has the effect of reducing land use in other regions.

At Zeitz and at Wilton, an additional product produced during ethanol production is processed, in particular, for the food market: the carbon dioxide produced from the fermentation of plant raw materials is purified and liquefied here in special plants, replacing carbon dioxide of fossil origin in beverage manufacture, for instance.

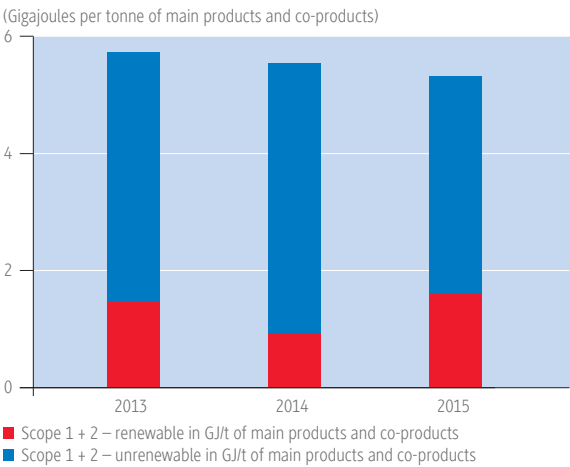
### Energy and emissions

Efficient production processes and modern energy facilities are the key components of CropEnergies' operational environmental protection. Highly efficient cogeneration and energy recycling, for example, result in above-average levels of energy efficiency. This reduces the fuel requirement and simultaneously lowers the emissions of air pollutants and greenhouse gases that affect climate. On the one hand, this lowers costs, but on the other hand it also improves the sustainability of the products produced by the company.

Many individual measures in the production plants contribute to a noticeable improvement in the environmental performance of production. At the bioethanol plant in Wanze, in addition, a large part of the thermal and electric process energy required is produced in a biomass plant – the first of its kind so far – directly from the bran from the delivered wheat grain. At Zeitz, the methane produced in the sewage treatment plant is being converted into electrical and thermal energy in a combined heat and power unit (CHP) plant, thereby reducing the demand for fossil fuels. The requirements of the Energy Efficiency Directive (EED) were implemented at all production sites. A certification in accordance with ISO 50001 was performed in Zeitz. Furthermore, an audit in accordance with the ESOS (Energy Savings Opportunity Scheme) was carried out in Loon-Plage and Wilton. BioWanze is participating in a voluntary, branch-specific agreement to improve energy efficiency ("accord de branche").



Energy use

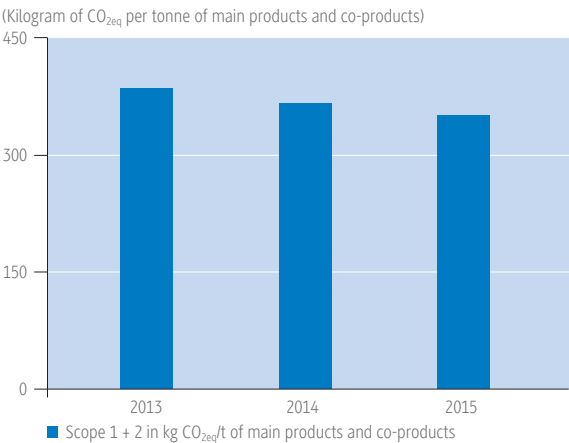


Specific energy use depends not only on process management and applied technologies, but also, among other things, on the type and quality of the raw materials used. The quality and availability of agricultural raw materials is largely determined by the weather and hence the growth conditions prevailing at any one time. The flexibility of the plants means that CropEnergies is able to adjust raw material use to the respective market conditions.

Apart from conventional fuels, bran and biogas are also used as energy sources. The proportion of renewable energies is around 25%. At Wanze, a CHP plant produces the required process energy almost entirely from bran, i.e., the shells of the supplied wheat.

The quantity of CO<sub>2</sub> emissions depends on both the total energy demand and the fuel mix used. Owing to electricity and steam exports, a part of the emissions is to be assigned to third parties.

Emissions from direct and indirect energy use



Water and waste water

Water is used and discharged sustainably at all sites. A hallmark of CropEnergies' production plants is that fresh water needs are reduced to a minimum by recycling and hence multiple use of the water deployed.

Water withdrawal/waste water

m <sup>3</sup> /t <sup>1</sup>	2015	2014	2013
Water withdrawal <sup>2</sup>	4.0	3.7	4.2
Waste water	2.6	2.3	2.6

<sup>1</sup> Main and by-products  
<sup>2</sup> Incl. flow cooling water

In-plant waste water treatment plants ensure that waste water is treated in an environmentally responsible manner and that the applicable limit values are therefore complied with in each case. The water that has been cleaned and complies with the applicable environmental standards is discharged into neighbouring rivers.



## Waste

Thanks to integrated production concepts, the raw materials used are almost completely processed into high-grade products, resulting in very little waste being generated. The components contained in the raw materials that are not used for ethanol production are refined and further processed into high-quality food and animal feed products.

### Waste materials

Thousand of tonnes	2015	2014	2013
<b>Total</b>	79.0	83.0	93.6
Means of disposal			
Composting	9.2	8.5	7.4
Incineration	0.4	0.5	0.7
Re-use	0.0	0.0	0.0
Recycling	67.4	73.5	85.1
Landfill	1.0	0.0	0.0
Other	1.0	0.5	0.4

Most of the waste materials (90%) are recycled, composted or used to produce energy. 0.2% (0.2%) of the waste materials contain hazardous waste. These consist primarily of fusel oils and used lubricants in production.



## Product responsibility and quality

CropEnergies attaches central importance to the production of safe and high-quality products and is conscious of the accompanying responsibility. That is why it has implemented a quality management system that lays down a structured and effective procedure for all stages of production.

### Quality management and product safety

The quality management system defines measures that ensure that all products comply with the statutory specifications and customers' requirements. The HACCP concept is a central element of the CropEnergies quality management system. A structured hazard analysis is used to examine each individual step in the production of food in respect of potential hazards for the health of consumers and in the production of animal feed in respect of animal health, with corresponding countermeasures being initiated immediately where necessary.

Other essential elements of quality management relate to long-term supplier relationships, qualified employees, safe production processes and close coordination with customers.

The end-product specifications aid a common understanding in relation to the nature of the products. An analysis of complaints as an additional basis of information for the continual improvement of processes and products is also integrated into the system.

The processes and requirements pertaining to plant parts that come into contact with products were re-defined in 2015. The resulting reference documents are standard across the group and are electronically available at each production site in the corresponding national language.

### Certifications

Customers attach great importance to the verification, by external certification bodies, of the safety and legislative compliance of the products. Accordingly, our production processes are geared to internationally recognised standards involving extensive requirements and standardised evaluation procedures, e.g. ISO 9001, REDcert (biofuels), IFS Food (food), GMP+

(animal feed). In addition, various production sites have further specific certificates, such as kosher or halal, for individual product groups in accordance with particular customer requirements.

## Social responsibility

### Economic sustainability and responsibility for urban areas

The aim of CropEnergies is to create value through sustainable business activity. Value-oriented, profitable growth serves as the basis for financing further investment and research projects to produce top-quality products and sustainable manufacturing processes, and to open up new markets. The regional economy also benefits from such growth and economic sustainability. All production sites are in rural areas and hence in the immediate vicinity of raw material production. They not only make an important contribution to the preservation and creation of long-term and qualified jobs, but also contribute towards development of the regional economy, particularly farms.

This is also confirmed by a study carried out by WifOR, a business research institute in Darmstadt, which investigated and quantified the economic importance of bioethanol plants in Zeitz and Wanze in 2013. The study analysed not only gross value added and income, but also employment and fiscal effects associated with the business activity of bioethanol plants that manifest themselves in rural areas.

WifOR quantifies this so-called economic footprint\* as follows: CropEnergies in Zeitz and Wanze accordingly generated direct gross value added of € 110 million. Including indirect and induced value chain effects which CropEnergies initiated by, for example, investments, contract awards for the procurement of raw materials and supplies and the creation of income in other economic areas, the value stood at around € 550 million. In terms of bioethanol production at the two sites, the production of one litre of bioethanol therefore goes hand in hand with the creation of goods and services worth more than 70 euro cents in Europe.

\*The economic footprint depicts companies in terms of national account categories.





The overall employment effects (direct and indirect) totalled around 11,450 jobs. The employment multiplier stood at 48.5 – meaning that for every job at CropEnergies almost fifty jobs were created in other companies. This far above average value is mainly due to the close dovetailing with local agriculture. By contrast, the European mineral oil industry with an employment multiplier of merely 12.9 contributes far less to employment in the EU owing to the high dependence on crude oil imports from third countries. Employee pay amounted to € 18 million. Pay per employee at CropEnergies was therefore twice as high as the average pay in the manufacturing industry in the EU.

#### **Logistics in procurement and distribution**

Smooth operation of the plants is contingent upon efficient goods movement. CropEnergies reduces the environmental pollution from transportation of the raw materials and end products to a minimum by a large number of measures along the entire value chain.

The position of CropEnergies' bioethanol plants is geared to reducing emissions. Raw material transportation is a major lever for optimising emissions. The production plants are therefore located in the vicinity of large grain-growing areas and/or ports and railways. The plants in Wanze and Zeitz are also located in the direct vicinity of the Südzucker Group's sugar factories. This shortens transport routes or enables deliveries to be made in an environmentally friendly manner, mostly via sea, rail or pipeline. In Wanze, for example, 67% of the raw materials used are delivered via sea and 8% directly via a pipeline from the neighbouring sugar factory.

On the sales side, too, the optimisation of distribution logistics to the end customer is playing a more and more important role with regard to competitiveness and ecology. End customers are therefore likewise mostly supplied via sea or rail, which are climate-friendly.

#### **Working conditions and human rights**

Sustainable business activity also extends to the social level in line with CropEnergies' corporate identity, with employees of all hierarchical levels being committed to their social respon-

sibility. As a member of the Südzucker Group, CropEnergies complies with the requirements of a major international group. High standards also apply with regard to human rights, education and training, health and safety, compensation and working conditions as well as to relations between the social partners.

In addition, CropEnergies strives for the best possible level of safety in the production plants in order to guarantee employees' safety at the workplace.

#### **Code of conduct**

CropEnergies' code of conduct is reproduced in full in the section entitled "Corporate governance report", sub-section "Corporate compliance principles". CropEnergies is committed to conducting its business in an ethical, legal and responsible manner. At the same time, CropEnergies expects its suppliers and/or contractors to be in line with the requirements set out in these policies. CropEnergies has added internal regulations to the generally applicable corporate compliance principles, e.g. in relation to the prohibition of child labour and forced labour or the freedom of association and collective wage bargaining.

#### **Safety-at-work**

The high priority given to safety-at-work and health protection is indispensable to the sustainable success of the CropEnergies Group. The number of accidents is thus relatively small and working hours lost as a result of accidents are at a very low level. This success has been achieved through the active participation of both employees and managers.

The measures relating to safety-at-work and health protection are based on an occupational safety management system, which defines procedures in respect of hazard detection, accident investigation and instruction as well as determining responsibilities. Tools for communicating occupational safety targets, suggestions for improvement and occupational safety measures have been established.

The instruction of employees is particularly important. This not only involves the statutorily prescribed recurrent training programmes, but also, and in particular, keeping the issue of



occupational safety constantly under discussion and hence in employees' consciousness. For example, employees receive documents relating to a priority issue every month or are invited to take part in occupational safety action days at the sites.

Risks and hazards in occupational safety and plant safety are identified on a regular basis and countermeasures taken. Continuous improvement objectives and measures derived from them are systematically reviewed and the effectiveness of the implemented measures assessed on a regular basis.



## RESEARCH AND DEVELOPMENT

### Highlights

All research and development activities of CropEnergies AG are conducted by the Central Research, Development and Services Department (ZAFES) of Südzucker AG on behalf of CropEnergies AG. The projects relate to the entire value chain, ranging from an investigation into agricultural raw materials to process technology to the production of bioethanol and co-products through to quality-related issues and participation in standards bodies.

Particular emphasis in the 2015/16 financial year was placed on the technological accompaniment of production processes. For example, the alcohol yield and plant capacities were optimised and the process stability improved. Furthermore, concepts for reducing primary energy requirements and increasing greenhouse gas reductions in relation to the bioethanol produced were formulated. In the context of the commissioning of the neutral alcohol plant in Zeitz, product-oriented and analytical issues were increasingly handled in addition to technological issues in the 2015/16 financial year. With regard to food and animal feed products, the focus was on product safety and quality assurance.

The use of new technologies is being intensified in cooperation with universities or in publicly funded projects. The aim, for example, is to obtain new products for the animal feed and food sector from arising material flows or to use CO<sub>2</sub> from fermentation for the production of intermediate chemical products. The investigation of concepts for using bioethanol as a synthesis component for products outside the fuel sector was also further pursued.

All the research, development and services performed for CropEnergies in the 2015/16 financial year were organised into defined projects and settled on the basis of a service agreement concluded with Südzucker AG. In the past financial year, a total of € 1.6 (2.1) million was spent on research and development.

### Raw material base, raw material quality and fermentation modifications

In order to obtain the best possible ethanol yields from the raw materials used, new enzymes and yeasts are continuously being tested in terms of efficiency and cost. In addition to the specific enzymes, optimisations of process parameters and specific measures for saving energy in relation to fermentation also played a crucial part. This enabled production costs to be further reduced and the greenhouse gas balance to be improved.

As not only bioethanol, but also high-grade food and animal feed products are produced from the raw materials, it is particularly important that the quality standards of the supplied grain should be adhered to. Grain deliveries have increasingly had to be rejected over the past few years owing to high levels of mycotoxin. To guarantee the product safety and the high quality of the animal feed products, quality assurance measures have been strengthened and adapted.

### Optimisation of production plants

Various technical and technological measures led to concepts being developed, with the aid of which the specific energy consumption was further lowered at all CropEnergies sites. Some of these concepts have already been implemented or are in the planning or implementation phase.

At Wanze, drying capacities for bioethanol were considerably increased by adjusting the process parameters and by means of an optimised connection. The parameters of gluten drying were optimised by means of a broad-based investigation programme and product quality improved. Furthermore, technological studies into expanding drying capacities were completed and their implementation commenced.

In the plant at Wilton, further concept studies and pilot experiments for optimising starch decomposition and increasing ethanol yield were carried out with regard to the production process. Furthermore, the extent to which primary energy



use can be further reduced by adjusting and linking individual process steps was also investigated.

At Zeitz, technological measures were taken to optimise DDGS pelletisation. This reduced energy use during pelletisation. At the same time, pellet stability and abrasion behaviour improved. Technical adjustments also increased the throughput of the pelletisation station.

### Service for the neutral alcohol plant

The raw material and the purity and quality of the end product are crucial in the production of neutral alcohol. To be used in the food sector or in products of the pharmaceutical or cosmetics industry, alcohol needs to be not only ultra-pure, but also needs to have a neutral odour and taste.

In addition to implementing corresponding analytical methods in the plant laboratory at Zeitz, it was also necessary to introduce the methodology for the sensory assessment of neutral alcohol. The long-standing experience of Ryssen Alcools was extremely advantageous here. The specification for neutral alcohol was defined and a corresponding monitoring programme implemented. Furthermore, a logistics concept that complies with product safety criteria necessary for food transportation was established.

### Quality management for food and animal feed

The harmonisation of work processes and analysis methods in the plant laboratories of the CropEnergies Group ensures that there is a high level of comparability between the results of the assessment of quality of food and animal feed products. This includes standard inspection plans, the central specification of analysis methods and regular training courses for plant laboratory employees. The effectiveness of these measures is verified and documented using ring testing and internal laboratory audits. The evidence base also aids external certification.

The harmonisation of product information, analysis programmes and customer information also extends to high-quality gluten production.

### Work on standards for bioethanol

CropEnergies is actively involved, both within the European Committee for Standardisation (CEN) at European level and within the Deutsche Institut für Industrienormung e.V. (DIN) at German level, in the standardisation of ethanol, petrol and mixtures thereof. As in the past few years, CropEnergies worked on the reformulation of the German and European standard for petrol, EN 228, which also includes E10 and E5. In the 2015/16 financial year, CropEnergies continued to investigate the technical possibilities for using petrol fuels with an ethanol content of up to 25 vol.-% in various studies with European experts. These elaborations will serve as a template for standardisation of future fuels with an ethanol content of more than 10 vol.-%.

### New product and production concepts for bioethanol

CropEnergies continues to pursue the aim of operating the production plants as integrated biorefineries and of further increasing the sustainability and cost-efficiency of the production plants through new processes and process technologies. Among other things, concepts for isolating additional value components from the side-streams are being pursued.

The EU-funded "PROMINENT" project is investigating the efficient use of protein-containing side-streams of bioethanol production such as gluten, "Distillers' Dried Grains with Solubles" (DDGS) and "Concentrated Distillers' Solubles" (CDS). The aim is to isolate functional proteins and dietary fibres while establishing new processes and process technologies. Universities and industrial partners are involved in the project, with a view to being able to investigate and assess the entire value chain from the raw product until the finished end product. Other



projects are evaluating the use of ultra-pure carbon dioxide from fermentation.

The "ZeroCarb FP" project, funded by the federal government, is concerned with the recovery of valuable substances from carbon dioxide. The focus is on developing a cultivation method for a microorganism that fixes CO<sub>2</sub> and supplies intermediate chemical products. The "bio-based chemicals" produced in this way may represent an alternative to petrochemical products.

A further use of CO<sub>2</sub> from bioethanol production is the cultivation of algae. The study has been carried out in conjunction with partners as part of a publicly funded project. It was possible to transfer the cultivation methods developed on a laboratory scale easily to a pilot open-air plant consisting of 24 photobioreactors, each with a capacity of 180 litres. Large quantities of algal biomass were produced in the open-air plant and then treated with various extraction methods with a view to isolating starch and protein. The protein, in particular, revealed broad functionality. The planned next step is to investigate usability in food.

### Bioethanol as a chemical raw material

In the context of downstream bioethanol chemistry, CropEnergies is continuing to pursue approaches for extracting C<sub>4</sub> components as raw materials for the chemical industry. The research activities within a publicly funded project are focusing on the chemico-catalytic conversion of ethanol to butanol, which is to be produced in a one-stage catalytic process. The first project phase was able to identify suitable catalysts. The second phase is focusing on reaction control and adjustment of parameters for optimising butanol selectivity and yield.



## EMPLOYEES

Since the 2015/16 financial year, the number of employees has been indicated in terms of full-time equivalents on the reference date. The previous year has been restated accordingly. The number of employees (full-time equivalents) employed as of 29 February 2016 therefore stood at 416 (432). The decline was primarily due to the temporary closure of the plant in Wilton.

Number of employees (annual average)		
	2015/16	2014/15
Number of employees by region		
Germany	164	157
Other European countries	245	268
Other countries	7	7
	<b>416</b>	<b>432</b>
Number of employees by category		
Wages earners	198	209
Salary earners	218	223
	<b>416</b>	<b>432</b>

The description of the compensation systems for the executive and supervisory boards is part of the management report. Details are provided in the declaration on corporate management / corporate governance report on page 40.

### Training

The CropEnergies Group's employees are the basis of the company's success and further development. Employee training and development are therefore of great importance for CropEnergies. As CropEnergies is a member of an international group, our employees have an opportunity to participate in the training and qualification programmes of the Südzucker Group. CropEnergies is, for example, involved in the vocational training of young people who are pursuing apprenticeships or trainee programmes within the Südzucker Group. Employees of the CropEnergies Group also take part in the international and cross-functional exchanges within the Südzucker Group.

With internal and external continuous training measures, CropEnergies also enables employees to acquire the skills for changing conditions and requirements. These took place in the context of events held by the Südzucker Group or were specially tailored to CropEnergies.

To broaden strategic discourse and to create stronger links between management within the CropEnergies Group, a managerial event lasting several days was again held in the 2015/16 financial year. Apart from exchanging knowledge and experience at the individual sites, current and cross-disciplinary issues were discussed

### Internal suggestion scheme

Numerous employees again took part in the internal suggestion scheme in the 2015/16 financial year. By submitting suggestions, they made an important contribution to improving workflows, thereby demonstrating a commitment to the company that goes beyond everyday activities.

### Safety-at-work

Safety-at-work and health protection have high priority at all companies of the CropEnergies Group. The measures for reducing accidents and preventing adverse health effects at workplaces comply with the standards of a company with international operations. Safety-at-work and health protection, as components of the management system, make a significant contribution to the company's sustainable success.

All employees and managers are involved in the continuous improvement of safety-at-work and health protection. This enables the company to successfully implement not only protective measures of a purely technical nature, but also employee-related preventive measures. Concrete measures include the systematic assessment of hazards, including an assessment of psychological stresses at workplaces, recurrent testing of equipment, preparation of operation manuals and regular instruction for employees. In addition, processes in the plants undergo systematic review. This enables safe-



ty-related aspects to be identified and valuable information in respect of the technical and technological optimisation of the plants to be acquired. The effects of these measures are reflected in the very small number of accidents and working hours lost as a result of accidents.

## Acknowledgement

The motivation and dedication of a company's employees are the determining factors in its success. In the past financial year, our employees have not only done this with great commitment when dealing with their daily tasks, but also contributed, through priority issues, to the further development of the CropEnergies Group. The executive board wishes to thank all employees and looks forward to continuing the successful collaboration.



## INVESTMENTS

In the 2015/16 financial year, capital expenditure on property, plant and equipment increased to € 16.7 (31.4) million. Of the total, € 8.1 million was invested at CropEnergies Bioethanol GmbH, € 7.7 million at BioWanze SA, € 0.4 million at Ensus UK Ltd and € 0.3 million at Ryssen Alcools SAS.

Investing activities at CropEnergies Bioethanol GmbH focused, in the 2015/16 financial year, on the completion of the new processing plant for the production of neutral alcohol. An additional tank storage facility was also constructed and the existing infrastructure expanded as part of the project. This will enable CropEnergies to produce up to 60,000 m<sup>3</sup> of food-quality neutral alcohol a year and fulfil customer-specific quality requirements in so doing. Further investments were made on the basis of the new site concept for fire protection, in the context of which a plant fire service was also set up. The remaining investments were mainly used to save energy or were replacements. The focus here was on liquefaction and animal feed drying. Furthermore, a start was made on modernising and expanding the animal feed loading operation in the 2015/16 financial year.

Investments in BioWanze SA were mainly used to improve bioethanol yields and increase plant availability. Investments included the extension of the filter capacities of the biomass boiler. In addition, milling capacity was increased and starch yield improved. An electrical connection that will facilitate the reciprocal use of internally generated electricity in future was installed between the neighbouring sugar factory of Raffinerie Tirlémontoise SA and the bioethanol plant. In addition, work was started on expanding gluten production.

At Ensus UK Ltd, the temporary closure of the plant in Wilton was used to improve process stability and energy consumption with limited investment, for example, by heat recovery in the area of liquefaction. Furthermore, maintenance measures and statutorily prescribed reviews were carried out.

Ryssen Alcools SAS invested in the modernisation of the neutral alcohol production plant and the expansion of denaturing capacity in the 2015/16 financial year. Work on the automation and flexibilisation of alcohol loading was also completed. This takes account of customer requirements and will lower loading costs. The remaining investments related, in particular, to improvements in fire protection and replacement investments.





## CORPORATE GOVERNANCE

In the following, we report on the company's corporate management in accordance with § 289a (1) HGB and corporate governance in accordance with paragraph 3.10 of the German Corporate Governance Code. The declaration on corporate management and the corporate governance report are published on the CropEnergies website at [www.cropenergies.com](http://www.cropenergies.com).

### Role of the executive board and supervisory board

As a German stock corporation, CropEnergies AG has a dual management system comprising an executive board and a supervisory board. Both boards have autonomous powers and collaborate in a close and confidential manner in managing and monitoring the company.

#### Executive board

The executive board of CropEnergies AG currently comprises three members. As the executive body, it manages the affairs of the company with the aim of creating sustainable added value on its own responsibility and in the interests of the company. The members of the executive board share joint responsibility for management. The division of the duties and responsibilities of the executive board is regulated in its rules of procedure, as amended on 30 April 2015 and, most recently, on 14 January 2016.

#### Supervisory board

The supervisory board appoints, monitors and advises the executive board in its management of the company. It is involved in strategy and planning, as well as all issues of material importance to the company. For important business processes, such as budgeting and strategic planning, acquisitions and divestments, the rules of procedure of both the executive board and the supervisory board stipulate that decisions are subject to approval by the supervisory board. The executive board keeps the supervisory board regularly, promptly and extensively informed in writing as well as at its regular meetings about the planning and development of the business operations, and the position of the group including risk management and compliance.

The chairman of the supervisory board coordinates the activities of the supervisory board and represents the interests of the supervisory board externally. The supervisory board convenes without the executive board if necessary. In the case of significant events, an extraordinary meeting of the supervisory board is convened where necessary. In order to discharge its duties, the supervisory board can summon auditors, legal consultants and other internal and external consultants at its own discretion. The supervisory board passes resolutions on the structure of the compensation system for the executive board together with the key contractual components and reviews it on a regular basis. The duties, conduct rules and committees of the supervisory board are regulated in its rules of procedure, last amended on 30 March 2012.

#### Composition of the supervisory board

The supervisory board of CropEnergies, which comprises six members, is solely composed of shareholder representatives pursuant to § 96 (1) and § 101 (1) AktG. Each term of office of the shareholder representatives elected by the annual general meetings on 17 July 2012 and (due to re-election of one member) on 14 July 2015 runs for the period until adjournment of the annual general meeting that decides on approval for the 2016/17 financial year (i.e., until the annual general meeting in 2017). Franz-Josef Möllenberg is the financial expert on the supervisory board and the audit committee.

#### Diversity objectives

Regarding its future composition, the supervisory board will be guided, pursuant to a written resolution of 20 December 2010 and 12 November 2012, respectively (taking into account the sector, the company's size and the scale of the international activities), by the following diversity objectives:

- to maintain the quota, considered appropriate, of at least two supervisory board seats for independent members, and
- to maintain the quota, considered appropriate, of at least two supervisory board seats for persons who embody the criterion of "internationality" to a special degree.

The target specification for an appropriate participation of women in the supervisory board was updated after the "Gender



Quota Act" came into force. The targets are contained in the section entitled "Gender quota" on page 41.

The rules of procedure for the supervisory board provide that supervisory board members should not remain in office beyond the end of the financial year in which they reach 70 years of age.

The supervisory board will continue to propose to the general meeting those candidates whom it considers to be the best suited for office on the supervisory board, taking the foregoing diversity objectives into account.

With regard to the status of the implementation of the diversity objectives, the following can be reported: In the nominations for the election, by the 2012 and 2015 annual general meetings, of shareholder supervisory board members, the supervisory board took into account not only the requirements of the Stock Corporation Act, the Code and the supervisory board's rules of procedure, but also the diversity objectives. It took the knowledge, ability and expert experience required to exercise the duties as well as diversity in its composition into particular account. On 17 July 2012, the annual general meeting elected new shareholder representatives in line with the supervisory board's nominations. The supervisory board thus again has at least two "independent" members (pursuant to paragraph 5.4.2 of the German Corporate Governance Code, anyone who has a business or personal relationship with the company, its governing bodies, a controlling shareholder or one of its affiliated companies, which could be grounds for a major and lasting conflict of interest, is, in particular, deemed to be "non-independent"). At least two members embody the criterion of "internationality" to a special degree. The supervisory board currently has no female members.

#### **Supervisory board committees**

With the audit committee and nomination committee, the supervisory board has formed committees from among its members which prepare and supplement its activities. The committees consist of four members in each case. The duties of both committees are derived from the rules of procedure

for the supervisory board and for the audit committee, last amended on 30 March 2012 and 3 May 2012, respectively.

#### **Shareholders and general meeting**

The shareholders of CropEnergies AG exercise their voting and control rights at the annual general meeting held at least once a year. The annual general meeting takes place in the first eight months of the financial year and decides on all matters as per the statutory requirements with binding effect for all shareholders and the company. Each CropEnergies share confers the same rights.

Every shareholder who meets the prerequisites for attending the annual general meeting as well as for exercising voting rights and registers in time is entitled to attend the annual general meeting. Shareholders who are unable to attend in person have the option of having their voting rights exercised by a financial institution, a shareholder association, proxies used by CropEnergies AG who are bound by the instructions of the shareholders, or some other representative of their choice. Shareholders also have the option of submitting their vote in advance of the annual general meeting via the Internet or giving instructions to CropEnergies AG's proxies via the Internet.

#### **Annual general meeting 2016**

The invitation to the annual general meeting, which is due to be held in Mannheim on 12 July 2016, together with all the reports and information required for passing resolutions will be published in accordance with the provisions of German company law and made available on the CropEnergies AG website under "Investor Relations".

#### **Risk management**

The conscientious handling of business risks is one of the principles of good corporate governance. Comprehensive group-wide and company-specific reporting and control systems are available to the executive board and management of CropEnergies, enabling them to identify, analyse and manage these risks. The systems are continually refined and extended, and adjusted to the changing framework conditions. The executive board



keeps the supervisory board regularly informed about current risks and their development. The audit committee is especially concerned with monitoring the financial reporting process, the effectiveness of the internal control system, risk management and the internal auditing system as well as the auditing of the financial statements. Risk management at CropEnergies is outlined in the risk and opportunities report on pages 66–73.

## Corporate governance report

Good corporate governance implies the responsible management and control of corporate enterprises oriented towards long-term value creation. The aim of corporate governance is to promote the trust of shareholders and investors, the financial markets, business partners, employees and the general public in the company, thereby also increasing the value of the company on a sustainable, long-term basis. The executive and supervisory boards of CropEnergies AG are committed to the principles of good corporate governance. CropEnergies fulfils the most stringent transparency requirements on German stock exchanges. Accordingly, the CropEnergies share has been listed in the Prime Standard since 2006. Compliance with the German Corporate Governance Code underlines the commitment to transparent corporate management.

CropEnergies regards the current version of the German Corporate Governance Code dated 5 May 2015 as largely balanced, practical and of a high standard when compared internationally. As in previous years, CropEnergies has thus not found it necessary to prepare individual, company-specific corporate governance principles.

### Declaration of conformity for 2015

By way of supplement to the text of the previous year, the declaration of conformity for 2015 issued jointly by the executive board and the supervisory board included the following divergences from recommendations:

### Paragraph 4.3.3 sentence 4

#### (Executive board, conflicts of interest):

CropEnergies AG will comply, in future, with the new recommendation in the Code, according to which important transactions involving persons closely associated with a member of the executive board are to be carried out only with the consent of the supervisory board, once the executive board's rules of procedure have been amended accordingly. Until this new requirement has been implemented in the executive board's rules of procedure, a divergence will be declared as a precaution.

The corresponding amendment to the rules of procedure for the executive board was made by means of a supervisory board resolution at its meeting on 14 January 2016.

### Paragraph 5.4.1

#### (Diversity objectives, composition of the supervisory board):

A regular limit of length of membership on the supervisory board is not specified. This facilitates continuity and the preservation of long-standing expertise in the supervisory board in the interests of the company.

As with declarations of conformity issued in previous years, the joint declaration of conformity issued by the executive board and the supervisory board in 2015 is published on the CropEnergies website at [www.cropenergies.com](http://www.cropenergies.com) on the Investor Relations/Corporate Governance pages.

It has the following wording:

"The executive board and the supervisory board of CropEnergies AG, Mannheim, passed a resolution on 9 November 2015 to issue the following declaration of conformity with the German Corporate Governance Code pursuant to § 161 AktG:

CropEnergies AG complied with the 'recommendations of the Government Commission of the German Corporate Governance



Code' in the Code's current version of 24 June 2014 with the following exceptions and will comply in future with the recommendations contained in the Code version of 5 May 2015:

**Paragraph 4.2.1**

**(Executive board chairman or spokesman):**

The election of a chairman or spokesman was not initially necessary. Until 30 April 2015, the executive board of CropEnergies AG consisted of two members, who managed the enterprise with equal executive powers and with clearly defined areas of responsibility. Since 30 April 2015, the executive board of CropEnergies AG has comprised three members, one of whom performs the function of spokesman of the executive board. Consequently, there will, in future, no longer be any divergence from the recommendation set out in paragraph 4.2.1 of the Code.

**Paragraph 4.2.2**

**(Vertical comparison of executive board compensation):**

The supervisory board is charged with assessing the appropriateness of the executive board's compensation. In so doing, it takes into consideration the company's salary and wage structure. The supervisory board is convinced that the formal procedure recommended in paragraph 4.2.2, subsection 2, sentence 3 is superfluous, as it would not improve the quality of its decisions.

**Paragraph 4.2.3 subsection 4**

**(Severance payment cap in executive board contracts):**

The executive board contracts do not provide for a severance payment cap. We see no need for this in the future either, especially as there are considerable legal reservations about such contractual clauses.

**Paragraphs 4.2.4 and 4.2.5**

**(Individualised executive board compensation):**

The annual general meeting of CropEnergies AG last passed a resolution on 19 July 2011 to waive individual disclosure of executive board compensation for a period of five years. The company therefore does not disclose executive board members' individual compensation in its compensation report.

**Paragraph 4.3.3 sentence 4**

**(Executive board, conflicts of interest):**

CropEnergies AG will comply, in future, with the new recommendation in the Code, according to which important transactions involving persons closely associated with a member of the executive board are to be carried out only with the consent of the supervisory board, once the executive board's rules of procedure have been amended accordingly. Until this new requirement has been implemented in the executive board's rules of procedure, a divergence will be declared as a precaution.

**Paragraph 5.3.2 sentence 3**

**(Autonomy of the audit committee chairman):**

Thomas Kölbl is chairman of the audit committee. He is simultaneously a member of the executive board of Südzucker AG, which holds a majority interest in CropEnergies AG. In our view, it makes sense that a majority shareholder is appropriately represented on the supervisory board of a company and its committees. It is our conviction that it is in the interests of the company and all its shareholders for Mr Kölbl to exercise this office as audit committee chairman.

**Paragraph 5.4.1 subsection 2**

**(Diversity objectives, composition of the supervisory board):**

The supervisory board seeks sufficient diversity in its composition, especially an appropriate degree of female representation. The supervisory board has oriented its decision in respect of its own composition primarily to the qualification of the available persons and not their gender, and it intends to continue to do so to the legally permitted extent.

A regular limit of length of membership on the supervisory board is not specified. This facilitates continuity and the preservation of long-standing expertise in the supervisory board in the interests of the company.

**Paragraph 5.4.6**

**(Supervisory board compensation):**

Our company's articles of association make provision for performance-related supervisory board compensation oriented



to dividends (cf. paragraph 5.4.6, subsection 2, sentence 2). Convergence with the interests of the shareholders in particular speaks for this structure.

We disclose the supervisory board's compensation as a total (cf. paragraph 5.4.6, subsection 3). In our opinion, the associated encroachment on privacy associated with the disclosure of compensation on an individual basis is disproportionate to the benefits of such practice. The compensation is already transparent and therefore any division according to fixed compensation and performance-related components would not involve any additional informative value. The corporate governance report, notes and management report therefore do not contain any individualised information on supervisory board compensation and no division according to fixed compensation and performance-related components."

#### **Gender quota**

The amendment to the Stock Corporation Act that came into force on 1 May 2015 makes provision for listed companies to define target figures for supervisory board, executive board and the two management levels below executive board. CropEnergies AG was affected by this development. CropEnergies AG is not affected by the introduction of a fixed gender quota of 30% in the supervisory board; this applies to listed companies that are also equally represented. This does not apply to CropEnergies.

At its meeting on 14 July 2015, the supervisory board, taking all relevant criteria and particularly the status quo into account, determined the first target for the proportion of women in the supervisory board and the executive board up to 30 June 2017 to be the "retention of zero %". At its meeting on 28 September 2015, the executive board decided as a target specification that the proportion of women at management level below the executive board (owing to its flat hierarchies, CropEnergies AG has only one management level below the executive board) should be retained at 20% until 30 June 2017.

#### **Code of conduct and guiding principles**

CropEnergies has prepared a code of conduct and guiding principles. These are published on the CropEnergies website at [www.cropenergies.com](http://www.cropenergies.com) under "Company".

#### **Compensation report**

In the compensation report, CropEnergies discloses the level and structure of the compensation paid to the executive board (paragraph 4.2.5 of the Code) and the supervisory board (paragraph 5.4.6 of the Code). CropEnergies AG waives individualised disclosure of executive board and supervisory board compensation as the associated encroachment on privacy is out of reasonable proportion to the benefits. The shareholders of CropEnergies AG last passed a resolution not to disclose individualised information on executive board compensation for a period of five years, by a large majority, at the annual general meeting on 19 July 2011 (opting out). The decision to waive individualised disclosure of supervisory board and executive board compensation was reflected in the declaration of conformity.



The compensation of the executive board of CropEnergies AG is determined by the supervisory board and is reviewed at regular intervals. The compensation is oriented to the company's long-term performance and consists of

1. a fixed annual salary,
2. a variable annual compensation, depending on
  - a) the achievement of agreed targets and
  - b) the operating profit generated by the CropEnergies Group based on performance over several years. This is based in each case on the CropEnergies Group's average operating profit for the past three financial years.
3. non-monetary benefits mainly in the form of a company car for business and private use and contributions to social insurance, and
4. a company pension scheme, based on a percentage of the fixed annual salary.

There are no share-based compensation components or stock option plans.

The total compensation for the executive board is disclosed in the notes at item (35), "Related party transactions".

The compensation of the supervisory board is set out in § 12 of the articles of association of CropEnergies AG. Each member of the supervisory board receives a fixed compensation of € 20,000, payable at the end of the financial year, and variable compensation at the rate of € 1,000 for each EUR 0.01, or part thereof, by which the dividend paid per share exceeds EUR 0.20, in addition to the reimbursement of their out-of-pocket expenses and the value-added tax they incur for their supervisory board activities. The chairman receives double

and his deputy one-and-a-half times this compensation. The fixed compensation increases by 25% for each membership of a supervisory board committee; the rate of increase is 50% for the chairman of a committee. This presupposes that the relevant committee has convened in the financial year.

The compensation for activities undertaken by the supervisory board members is disclosed in the notes at item (35), "Related party transactions".

#### **Financial loss liability insurance**

The company has taken out financial loss liability insurance with a deductible which incorporates cover for the activities of the members of the executive board and the supervisory board (D&O insurance). § 93 (2) AktG stipulates that the deductible for executive board members must amount to at least 10% of the loss up to at least the level of one-and-a-half times the fixed annual compensation. CropEnergies has agreed such a deductible with the members of the executive board. Regarding a deductible for supervisory board members, the German Corporate Governance Code recommends a similar ruling. CropEnergies complies with this recommendation.

#### **Holdings of company shares by members of the executive board and supervisory board; reportable dealings pursuant to § 15a of the German Securities Trading Act (directors' holdings and directors' dealings)**

No member of the executive board or the supervisory board holds shares of CropEnergies AG representing 1% or more of the share capital. Furthermore, the aggregate holdings of all executive board and supervisory board members are less than 1% of the shares issued by the company.

In the 2015/16 financial year, the executive board member Joachim Lutz reported the purchase of 2,100 shares at a price of € 3.81 on 9 July 2015 and a further 3,000 shares at a price of € 3.40 on 20 August 2015.



## Compliance business values and principles

### Compliance

For CropEnergies, compliance, in other words conduct in conformity with laws and rules, is the basis of good corporate management. Its object is to ensure the lawful conduct of the company, its corporate bodies and employees in respect of the obligations and prohibitions imposed by laws and rules. The aim is to protect employees from infringing or violating laws and rules, and to support them in applying legal requirements and company guidelines correctly and appropriately. As a member of the Südzucker Group, CropEnergies has adopted the compliance business values and principles of Südzucker in an appropriate form. These principles bundle the corporate standards applying within the Südzucker Group. The objective is to ensure that the principles set forth below are enforced throughout CropEnergies and the entire Südzucker Group utilising the existing reporting procedures and information flows.

Focuses of the compliance business values and principles that apply across the group are anti-trust law compliance, corruption prevention, data protection, environmental protection and capital market compliance (especially insider rules and ad hoc disclosures). The integrity of employees invariably forms the basis for good compliance. For CropEnergies, it is self-evident that all measures are in conformity with the provisions of employee data protection.

### Compliance business values and principles

CropEnergies aims to compete successfully through innovation, quality, reliability and fairness. This entails complying with internal rules, as well as statutory regulations. The compliance business values and principles serve as a guideline here. They highlight key issues that are very important in day-to-day practice and have been published on the CropEnergies website under "Investor Relations".

CropEnergies applies the laws currently in force and expects no less from its employees and business partners. The corporate principles list key items that are particularly important in practice:

1. Fairness in competition: CropEnergies is fully committed to fair competition and especially to strict compliance with anti-trust laws.
2. Integrity in conduct of business: No tolerance for corruption. Gifts and invitations from suppliers or service providers must always be in reasonable proportion to the business relationship. The acceptance of such gratuities must be expressly approved by the respective superior or, above certain thresholds, by the executive board.
3. Principle of sustainability: CropEnergies is aware of its responsibility to protect the environment as well as the health and safety of people inside and outside the company.
4. Compliance with statutory provisions: Compliance with all relevant national and international laws is mandatory.
5. Ensuring equal opportunity in securities trading: Every employee is obliged to treat confidentially any internal company information that could impact the company's share price on the stock market.
6. Proper record-keeping of documents: The company's internal control system requires that business processes be adequately documented. Audits must be conducted to ensure that the accounting-related information has been fully and correctly captured.
7. Proper and transparent financial reporting: CropEnergies is committed to providing open and transparent financial reporting based on international accounting standards to ensure that all stakeholders are treated equally.
8. Fair and respectful working conditions: Every employee is expected to be friendly and treat colleagues and third parties fairly, professionally and respectfully. Discrimination and harassment of any kind is not tolerated.
9. Protecting our know-how lead and respecting the intellectual property rights of third parties: Business secrets may not be passed on to third parties or published. The intellectual property rights of third parties shall be equally respected.





10. Separation of company and private interests: All employees must always keep separate their private interests and those of the company. Furthermore, only objective criteria shall be employed when making personnel decisions or conducting business with third parties.
11. Cooperative conduct with authorities: CropEnergies strives to maintain an open and cooperative relationship with all relevant authorities. Information shall be provided completely, correctly, in a timely manner and in a comprehensible form.

These compliance business values and principles are implemented having regard for country-specific particularities: Employees are provided with the necessary information sources, training and advisory support to avoid breaching laws and rules. All superiors must organise their areas of responsibility in such a way that compliance with the compliance business values and principles, the in-house rules and the statutory regulations is guaranteed. The Compliance Officer and the compliance representatives are responsible for guaranteeing the prompt flow of information. They are responsible, among other things, for training and the investigation of compliance cases. All employees are required to immediately report breaches of the compliance business values and principles.

### Takeover-related disclosures

The following information is provided by way of explanatory disclosures pursuant to §§ 289 (4), 315 (4) HGB and an explanatory report pursuant to § 176 (1), sentence 1 AktG; they are part of the audited group management report. These disclosures relate, among other things, to aspects that may play a role in the acquisition of company control, as well as the executive board's powers to change the capital structure.

#### Composition of the subscribed capital, voting rights and transfer of shares

The subscribed capital of the company as of 29 February 2016 is € 87,250,000 and is divided into 87,250,000 no-par-value bearer shares, each representing a proportional amount of € 1 of the share capital (§ 315 [4] No. 1 HGB).

The company does not hold any own shares as of the reporting date.

Each share confers the same rights and grants one vote at the annual general meeting. Restrictions on the voting right of the shares may result from the provisions of the Stock Corporation Act. Under certain circumstances, the shareholders may be barred from voting (§ 136 AktG). Furthermore, the company has no voting right on its own shares (§ 71 b AktG). CropEnergies is not aware of any contractual restrictions on the voting rights or on the transfer of the shares (§ 315 [4] No. 2 HGB).

#### Capital interests exceeding 10%

The company is aware of the following direct and indirect interests in the share capital of CropEnergies AG exceeding 10% of voting rights: Südzucker AG, Mannheim (Südzucker) has an approximate 69% direct interest, and Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG, Stuttgart, (SZVG) an approximate 7% direct interest in the share capital. As, in accordance with § 22 (1) No. 1 WpHG, the interests held by Südzucker are attributable to SZVG, SZVG therefore directly and indirectly holds around 76% of voting rights (§ 315 [4] No. 3 HGB).

#### Shares conferring special rights, voting right control in the case of employee shares

There are no CropEnergies shares conferring special rights (§ 315 [4] No. 4 HGB). There is also no kind of voting right control from the participation of employees in the company's capital (§ 315 [4] No. 5 HGB).

#### Appointment and removal of executive board members

Pursuant to § 84 and § 85 AktG, the members of the executive board are appointed and/or removed by the supervisory board. Pursuant to § 6 (1) of the articles of association, the executive board must comprise at least two individuals. In all other respects, the supervisory board determines the number of executive board members. The supervisory board can appoint a chairman as well as a deputy chairman to the executive board. The members of the executive board were appointed in each case for a term of five years.





### Amendments to the articles of association

Pursuant to § 179 (1) AktG, amendments to the articles of association require a resolution to be passed by the general meeting. The articles of association of CropEnergies AG make use of the option to deviate therefrom pursuant to § 179 (2) AktG and provide that resolutions, unless mandatory provisions of stock corporation law or the articles of association determine otherwise, can be passed by simple majority vote and, if a capital majority is required, by simple capital majority. The authority to make amendments merely relating to the wording has been delegated to the supervisory board (§ 315 [4] No. 6 HGB).

### Executive board authorisation, particularly regarding share issue and share buy-back

The annual general meeting on 14 July 2015 authorised the executive board pursuant to § 71 (1) No. 8 AktG to acquire own shares up to a maximum of 10% of the share capital in the period up to 13 July 2020. Own shares may be acquired either via the stock exchange or by way of a public offer to all shareholders. Own shares may also be acquired and deducted from unappropriated profit or other revenue reserves. Among other things, the executive board is authorised, with the consent of the supervisory board, to sell the own shares acquired to third parties, with the exclusion of shareholders' pre-emptive subscription rights, for the purpose of business combinations or the acquisition of companies, parts of companies or equity interests in companies, or to service bonds with conversion and/or option rights. The authorisation to acquire own shares has not been exercised to date (§ 315 [4] No. 7 HGB).

The annual general meeting on 19 July 2011 created authorised capital (Authorised Capital 2011) to broaden the company's room for manoeuvre with regard to any capital increases. The executive board is authorised, with the consent of the supervisory board, to increase the share capital of the company within the period until 18 July 2016 by up to a total of € 15 million by issuing new shares in exchange for cash and/or contributions in kind and to exclude the pre-emptive subscription right of the shareholders in certain instances. The authorisation to utilise the Authorised Capital 2011 had been exercised in the 2013/14 financial year to the extent of € 2.25 million. This reduced the

remaining authorised capital to € 12.75 million. The authorisation was not exercised further in the 2015/16 financial year.

The annual general meeting on 19 July 2011 conditionally increased the company's share capital further by up to € 15 million through the issuance of up to 15 million new shares (Conditional Capital 2011). The executive board is authorised, with the consent of the supervisory board, to utilise the conditional capital to increase the share capital of the company to the extent that this is necessary to service the conversion or option rights on promissory notes and convertible or warrant-linked bonds which can be issued within the period until 18 July 2016. The authorisation to utilise the Conditional Capital 2011 has not been exercised to date (§ 315 [4] No. 7 HGB).

### Change of control and compensation agreements

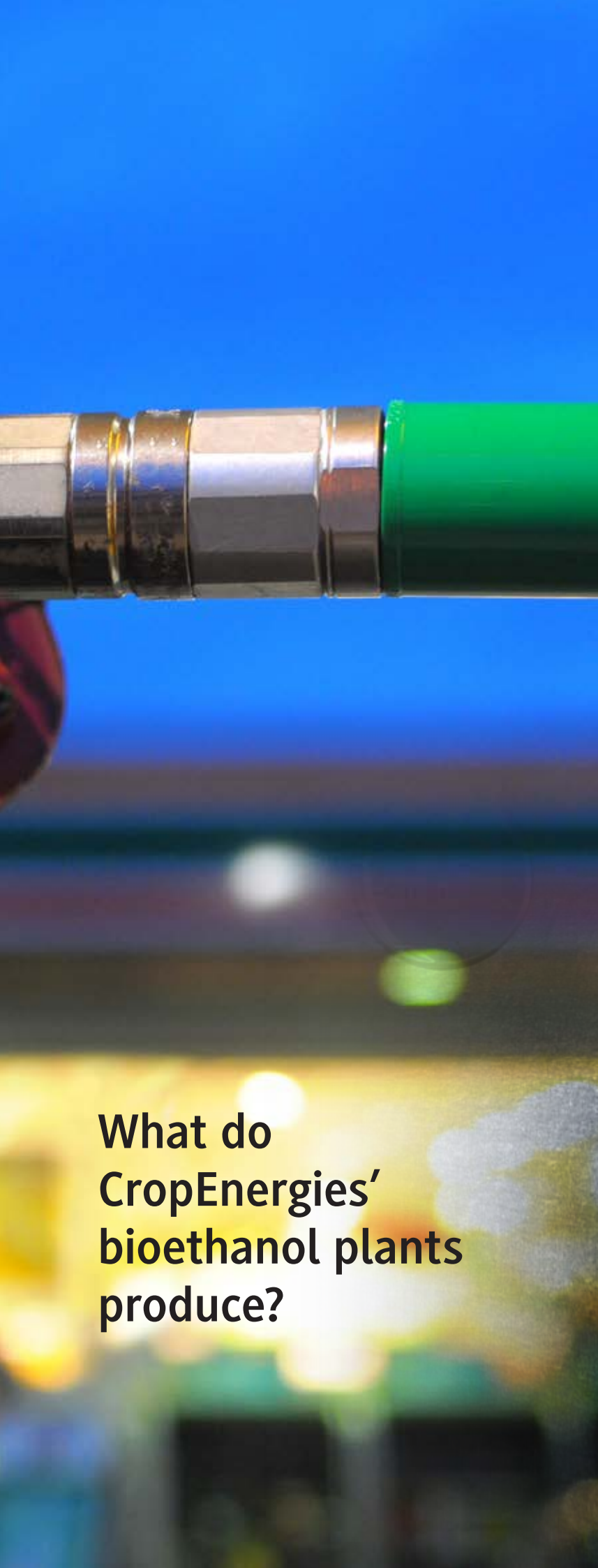
Südzucker AG has entered into an agreement in respect of a syndicated line of credit totalling € 600 million with a bank consortium. CropEnergies AG has joined this line of credit with a sub-credit line of € 100 million. In the event of a change of control within the meaning of the agreement, each member of the bank consortium has the right, under certain conditions, to terminate its share of the line of credit and its corresponding share of outstanding loans and to demand their repayment (including interest).

In other respects, no material agreements that are conditional on a change of control due to a takeover bid have been entered into, nor any compensation agreements with members of the executive board or in favour of employees in the event of a change of control (§ 315 [4] No. 9 HGB).

Disclosures on executive board and supervisory board compensation can be found in the compensation report on page 127.

# PRODUCTS





## What do CropEnergies' bioethanol plants produce?



### Bioethanol for fuel and traditional applications

Bioethanol is made by fermenting raw materials containing starch or sugar. This bioethanol can be used as a fuel or can be further processed to make ultrapure neutral alcohol for traditional applications.



### Wheat gluten

One co-product is the valuable wheat gluten which is separated when milling the grain. Wheat gluten is used, in particular, to make food (e. g. baked goods) but also for special animal feeds (e. g. for fish).



### High-protein animal feeds

With every cubic meter of bioethanol made from wheat, Zeitz and Wilton produce one tonne of high-protein animal feed (DDGS). In addition to gluten an bran, in Wanze, the remaining components are used to produce a liquid animal feed. These animal feeds contribute to supplying cattle, pigs, poultry, and pets with protein.



### Carbon dioxide

During the fermentation process, carbon dioxide is produced. This is cleaned and liquefied and is used in the beverage industry.





## REPORT ON THE ECONOMIC POSITION

### Report on business operations

#### Developments on the world market for bioethanol

**Ethanol production / consumption** In 2015, world production of bioethanol rose by 2.7% year over year to 115.1 (112.1) million m<sup>3</sup>. This was due to higher production in the USA and Brazil. As in the previous years, bioethanol was mainly produced for applications in the fuel sector. In all, the fuel sector accounted for 97.1 (94.2) million m<sup>3</sup> and hence 84.4% (84.1%) of total bioethanol production. The rest was earmarked for beverages, cosmetics and medical and industrial applications. Market observers expect to see slightly reduced worldwide bioethanol production of 114.2 million m<sup>3</sup> in 2016.

In the USA, bioethanol production in 2015 was 3.2% above the previous year's level, at 57.5 (55.8) million m<sup>3</sup>. With domestic consumption of 54.5 (52.6) million m<sup>3</sup>, which was 3.6% higher, net exports declined slightly by 2.3% to 2.7 (2.8) million m<sup>3</sup>. 2016 is expected to bring very little change and a continuing high production surplus.

Bioethanol production in Brazil is expected to rise by 3.6% to 30.0 (29.0) million m<sup>3</sup> in the 2015/16 sugar year owing to a better sugar cane harvest. In view of a significant 10.7% growth in bioethanol consumption to 29.7 (26.8) million m<sup>3</sup>, a largely balanced supply situation is expected. The rise in domestic demand is mainly due to the increase in the blending level of bioethanol from the previous 25 vol.-% to 27 vol.-% (E27) since mid-March 2015. In the 2015 calendar year, 2.2 (2.9) million flexible fuel vehicles (FFVs) were registered in Brazil. Their share of the overall vehicle fleet now stands at around 55%. In the 2016/17 sugar year 29.5 million m<sup>3</sup> (-1.6%) of bioethanol are expected to be produced and 29.0 million m<sup>3</sup> (-2.2%) consumed domestically. As a result, Brazilian net exports are expected to decline significantly by around two thirds.

In view of a downward trend in the consumption of petrol and without any momentum from an increase in blending targets, fuel ethanol consumption in the EU declined by 2.6% to 5.2 (5.4) million m<sup>3</sup> in 2015. Allowing for alcohol for traditional and technical applications, overall ethanol consumption was slightly under the previous year's level (-1.2%) at 7.7 (7.8) million m<sup>3</sup>. A lack of demand momentum is reflected in a fall in

ethanol production to 7.1 (7.2) million m<sup>3</sup>. This includes the production of fuel ethanol, which declined to 5.0 (5.3) million m<sup>3</sup>. Net imports in 2015 rose by 3.9% to 464,000 (447,000) m<sup>3</sup>.

Market observers expect fuel ethanol consumption in the EU to fall further to 5.1 million m<sup>3</sup> in the 2016 calendar year. In the event of a slight increase in domestic production to 5.1 million m<sup>3</sup>, this could result in a small production surplus of fuel ethanol for the first time. This means that the potential for bioethanol to bring about a rapid and cost-efficient reduction in greenhouse gas emissions will continue not to be maximised. Prompt introduction of E10 in further EU member states would, however, speed up decarbonisation of the transport sector and significantly improve its climate footprint. This would enable the transport sector to catch up with other sectors that are far ahead of it in terms of achieving European greenhouse gas reduction targets.

million m <sup>3</sup>	2016	2015	2014
Opening stock	1.8	1.9	2.0
Production	7.2	7.1	7.2
Import	0.5	0.7	0.7
Consumption	7.6	7.7	7.8
Export	0.2	0.2	0.3
Final stock	1.8	1.8	1.9

Source: F. O. Licht. Data estimated of EU bioethanol volume balance, April 2016

In Germany, the largest market for bioethanol in the EU, fuel ethanol consumption in 2015 declined by 4.5% to 1.5 million m<sup>3</sup>. Approximately 90% of the fuel ethanol consumed was blended directly with petrol. The greenhouse gas reduction target of 3.5 wt.-% compared with fossil fuels, introduced with effect from 1 January 2015, has proved to be insufficiently ambitious in the year after its introduction. In preparing the systemic change from an energy-based blending obligation to the greenhouse gas reduction quota, biofuel producers have made extensive investments in the lowering of greenhouse gas emissions. As a result, the specific greenhouse gas reductions from biofuels rose significantly to more than 60% on average – i.e., almost double the 35% prescribed by law. The oil industry, however, did not use this development to further improve the



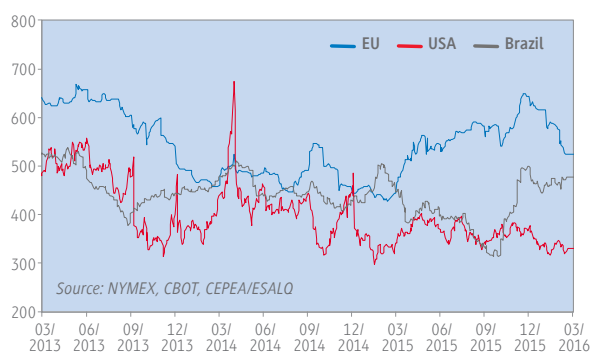
greenhouse gas balance sheet of their fuels, instead reducing volumetric biofuel blending. This also brought about a year-over-year fall in E10 sales to 2.5 (2.8) million tonnes. In spite of the legal requirement to gradually lower the greenhouse gas intensity of fuels, the oil industry was thereby able to place more fossil fuels on the market again.

**Ethanol prices** | On the Chicago Board of Trade (CBOT), the one-month futures contract for ethanol moved sideways, largely swinging back and forth around the mark of US\$ 1.50/gallon\*. Most recently, however, the ethanol price also fell below US\$ 1.40/gallon, trading at the equivalent of € 335/m<sup>3</sup> at the end of February 2016. The continuing low price level was due to low raw material and energy costs, high stock levels and a further decline in oil prices. The average price for the US grade West Texas Intermediate (WTI) was US\$ 30/barrel in February 2016.

Ethanol prices in Brazil stood at the equivalent of € 487/m<sup>3</sup> at the end of February 2016. Despite the increase in domestic prices by around 50% in local currency, this represents only a moderate rise of € 40/m<sup>3</sup> in view of the significant depreciation of the Brazilian real compared with the beginning of March 2015. Over the course of the year, prices significantly below € 400/m<sup>3</sup> were also observable at times.

In Europe, ethanol prices rose significantly from € 450/m<sup>3</sup> FOB Rotterdam at the beginning of March 2015 to € 511/m<sup>3</sup> at the end of February 2016. In between times, the price level reached more than € 600/m<sup>3</sup>, also as a result of the price increase on the biodiesel market and a temporarily tight supply situation on the main European marketplace for bioethanol in Rotterdam.

International bioethanol prices (€/m<sup>3</sup>)



#### Developments on the raw material and animal feed markets

**Grain markets** | According to its forecast for the 2015/16 grain year published on 12 April 2016, the US Department of Agriculture (USDA) expects world grain production (excluding rice) to stand at 1,994 (2,029) million tonnes, which is only slightly below the previous year's record level. World grain consumption is expected to decline by 0.4% to 1,969 (1,976) million tonnes. Production was therefore again above consumption. Global stocks are therefore expected to rise by 5.6% to 484 (459) million tonnes and thereby surpass the previous record level from the 1986/87 grain year.

The European Commission expects the grain harvest in the EU to decline by around 5.5% in the 2015/16 grain year. At 310 (328) million tonnes, however, it will continue to be above the average of the last five years and above the expected grain consumption of 283 (282) million tonnes. Animal feed products, with a share of 61%, account for the majority of grain consumption. With net exports of 27 million tonnes, the EU continues to make a significant contribution to the supply of the world market. Only 11 million tonnes are expected to be used for the production of bioethanol, with around a third of this grain quantity flowing back into the market as protein-rich food and animal feed products.

Expectations of a good grain harvest worldwide led to a decline in the price of the one-month futures contract for milling wheat on the Euronext in Paris. Wheat prices fell from € 188/tonne at the beginning of March 2015 to € 147/tonne at the end of February 2016.

\* A gallon is the equivalent of 3.7854 litres.





The International Grain Council expects a global grain production of 1,997 million tonnes in the 2016/17 grain year, which is slightly below its estimate of 2,006 million tonnes for the previous year. At the same time, grain consumption is expected to rise to 1,997 (1,988) million tonnes and thereby the stocks to remain at the previous year's record level.

In the case of wheat, an approximately 2% smaller global growing area of 220 million hectares is expected in the 2016/17 grain year. Given slightly lower average yields, the harvest is expected to fall slightly to 713 (734) million tonnes. In view of a forecast consumption of 716 (720) million tonnes, the International Grain Council expects wheat stocks of 211 (214) million tonnes at the end of the 2016/17 grain year.

The International Grain Council estimates that the global maize growing area will rise by approximately 2% in the 2016/17 grain year. The council expects to see an increase in the growing area in the USA, Argentina, Ukraine and South Africa, in particular. Given normal weather conditions, maize production is therefore expected to rise to 993 (972) million tonnes. Given maize consumption of 991 (973) million tonnes, a slight rise in maize stocks to 208 (206) million tonnes is expected.

For the 2016/17 grain year, the European Commission again expects the EU to have an above-average grain harvest of 308 million tonnes, which will again exceed consumption, at 284 million tonnes. Animal feed products, with a share of more than 60%, continue to account for the majority of grain consumption. 11.5 million tonnes and hence only 3.7% of the grain harvest in the EU are expected to be used for the production of bioethanol.

**Sugar markets** | Market analysts expect to see a global production shortfall again in the 2015/16 sugar year for the first time in six years. While consumption is set to increase to 182 (179) million tonnes, sugar production, at 177 (182) million tonnes, is expected to fall below the 180 million tonne mark for the first time since 2012/13. Consequently, for the first time in six years, there will be a reduction in sugar stocks to 72 (78) million tonnes or 40% (44%) of annual consumption.

There was wide fluctuation in the development of the world market price over the course of the 2015/16 financial year. At the

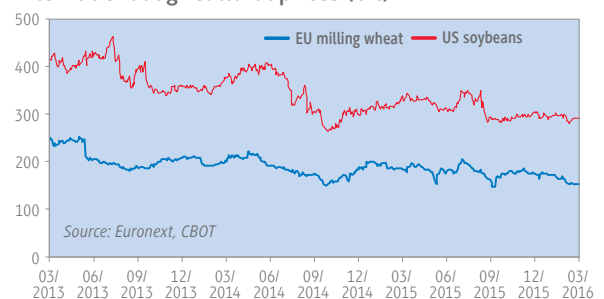
beginning of March 2015, the world market price for white sugar stood at € 331/tonne, temporarily falling to below € 300/tonne in the interim in view of the depreciation of the Brazilian real against the US dollar. Since the end of September 2015, the world market price for white sugar had risen – with high volatility – to € 374/tonne at the end of February 2016 in view of an expected global production shortfall.

In the EU, a significant decline in sugar production (including isoglucose) to 16 (20) million tonnes is expected. Given virtually constant consumption of 19 (19) million tonnes and despite increasing net imports, stocks are expected to halve.

**Protein markets** | According to the forecast by the USDA published on 12 April 2016, the global soybean harvest in 2015/16 is set to reach the record level achieved in the previous year, at 320 (320) million tonnes. In line with the expected high production and high stock levels, the one-month soybean futures contract on the CBOT fell below the US\$ 9/bushel\* mark in August 2015 for the first time in six years and has been at this low level ever since. Translated into euro, this corresponded to a decline of around 15% to € 288/tonne in the 2015/16 financial year.

The rapeseed harvest in the EU is expected to fall to 21 (24) million tonnes in 2015/16. In view of the internationally low protein prices, however, prices for rapeseed meal nevertheless fell from around € 240/tonne at the beginning of March 2015 to around € 180/tonne at the end of February 2016.

International agricultural prices (€/t)



\* A bushel of soybeans is equivalent to 27.216 kg of soybeans.



### Developments in the political environment

**"Renewable Energies Directive"** | The "Renewable Energies Directive" continues to define the legal framework for the mandatory target of 10% for renewable energies in the transport sector for the year 2020. The main prerequisite for biofuels to access the market in the EU is that they need to comply with sustainability criteria, which place minimum requirements, for example, on sustainable biomass production and processing. For example, biofuels, among other things, must reduce greenhouse gas emissions by at least 35 wt.-%, and by as much as 50 wt.-% from 2018, in comparison with fossil fuels. A minimum level of 60 wt.-% applies to plants constructed after 5 October 2015. In addition, complete documentation of the origin of the processed biomass must be provided. Raw materials for biofuel production must not be acquired from areas with high levels of carbon, for example, forests and/or areas with high biodiversity. The European Commission has now approved 19 EU-wide certification systems, which can be used to verify that the production of biofuels is sustainable.

**"Fuel Quality Directive"** | The "Fuel Quality Directive" stipulates that, by the year 2020, there needs to be a reduction in greenhouse gases of 6 wt.-%, calculated in terms of overall fuel consumption. The reduction must be achieved in relation to the average greenhouse gas intensity of fuels consumed in 2010. This stood at 94.1 g CO<sub>2eq</sub>/MJ, which is significantly higher than the stricter fossil reference value of 83.8 g CO<sub>2eq</sub>/MJ that applies to biofuels. This shows that the use of biofuels actually saves significantly more greenhouse gas emissions than has hitherto been officially recognised. The greenhouse gas emissions produced in the case of fuels from unconventional oil sources such as tar sands, oil shale and deep sea wells are again much higher than these reference values. In CropEnergies' view, fossil fuels should therefore also be differentiated according to raw material sources in the same way as biofuels in order to ensure that fossil fuels are assessed realistically.

In addition, the "Fuel Quality Directive" created an opportunity for the introduction of E10 fuel, i.e., the blending of 10 vol.-% of bioethanol in petrol, throughout Europe. Although the European fuel standard for petrol fuels (EN 228) was supplemented accordingly as early as 2012 and is now also in force in all member states, E10 continues to be widely available within

the EU only in Germany, France and Finland and sporadically so in Lithuania and the Netherlands. The 28 member states are thus far from utilising the potential of bioethanol for cutting greenhouse gas emissions and reducing the dependence on oil imports.

**Amendment of the "Renewable Energies Directive" and the "Fuel Quality Directive"** | The so-called iLUC Directive published on 15 September 2015 specifies, among other things, that 7% of the stipulated 10% of renewable energies in the transport sector can come from conventional biofuels that have been certified as sustainable. The remaining minimum 3% are to be achieved, on the one hand, by using double counting of biofuels from waste materials and residues, which will be additionally promoted by means of a sub-quota of at least 0.5%. On the other hand, the electricity used in rail and road transport will benefit from multiple counting, providing it originates from renewable sources. As the amount of greenhouse gas emissions generated from indirect land use changes (iLUC) is not uncontroversial and can be derived only from hypotheses; member states are to report on these conjectured indirect effects in future, but they will continue not to be allocated directly to individual biofuels.

It is regrettable that the iLUC Directive allows fictitious double counting of biofuels from so-called waste materials and residues. CropEnergies regards this as a fundamental systemic flaw in the current rules in cases in which appropriate use was already made of these substances and the double counting in the transport sector therefore causes market distortions. Consequently, international "waste tourism" will not only increase, but the quantity of renewable fuels will be reduced and a powerful incentive for increased consumption of fossil fuels created. The same result will be achieved by multiple counting of electricity in the transport sector.

Despite reservations about individual regulations, CropEnergies welcomes the fact that the agreement by Parliament and Council has put an end, for the time being, to the uncertainty about the future framework conditions for the European biofuel industry. Together with the bioethanol associations at national and European level, however, CropEnergies is calling for reliable framework conditions for the European bioethanol market not only for the period up to 2020, but also beyond. In



discussions regarding a climate and energy package for 2030, CropEnergies will therefore continue to campaign for the continuation of a policy aimed at promoting the use of sustainably produced biofuels. For the foreseeable future, biofuels are the only alternative to fossil fuels that is available in significant and cost-efficient quantities, and they thereby make an indispensable contribution to climate protection in the transport sector.

**Paris Climate Agreement |** At the United Nations Conference on Climate Change in Paris in December 2015, 195 countries agreed on a legally binding global climate agreement for the first time. The agreement contains a global action plan and aims to restrict global warming to less than 2 °C. It is expected to take effect in 2020. To achieve the targets, it will be necessary to reduce net greenhouse gas emissions to zero in the second half of the 21<sup>st</sup> century. This ambitious aim will require the long-term abandonment of fossil energy sources that draw on carbons bound in the soil and emit them into the atmosphere. By contrast, biofuels are produced from plants which, in the course of their growth, extract carbons from the air through photosynthesis. Biofuels thereby make an indispensable contribution to reducing the carbon concentration in the atmosphere. Although the national contributions pledged hitherto are not sufficient for achieving the aim and the agreement does not contain any mechanism for sanctions, it is nevertheless an important step in designing the future international energy and climate policy.

**2030 climate and energy package |** In the EU, which campaigned vehemently for a binding agreement at the Paris climate summit, discussions about a climate and energy package for 2020 to 2030 were continued. The European Council had defined the following key points as early as October 2014: mandatory total greenhouse gas emission savings of 40% in comparison with 1990, a 27% proportion of renewable energies that is binding at EU level and across all sectors, and a 27% improvement in energy efficiency. The EU Commission is expected to publish a proposal in respect of legal measures for achieving these targets by the end of 2016. In this connection, the EU Commission is also tasked, in the context of the climate and energy policy until 2030, with checking that sustainable fuels are promoted in a technology-neutral manner

after 2020. From CropEnergies' perspective, it is also necessary to define mandatory targets for the use of renewable energies and the reduction of greenhouse gas emissions in the transport sector for the period after 2030. Otherwise, in view of the transport sector's ever higher share of total greenhouse gas emissions in the EU, it will not be possible to keep to the ambitious climate protection targets which the EU, in particular, advocated at the Paris climate summit.

**Germany |** In Germany, the use of biofuels in the transport sector was promoted until 2014 by means of a blending obligation of 6.25 cal.-%. The biofuel quota was replaced, as of 1 January 2015, by a greenhouse gas reduction quota as part of the decarbonisation strategy, the aim being to bring about a 3.5 wt.-% reduction in greenhouse gas emissions, calculated in terms of overall fuel consumption. From 2017 onwards, this reduction target is to rise to 4.0 wt.-% and, from 2020 onwards, to 6.0 wt.-%. The systemic change turned specific greenhouse gas reduction into a crucial competitive characteristic of biofuels in Germany. According to provisional data, biofuel producers' efforts to lower greenhouse gas emissions have resulted in an average increase in the specific greenhouse gas savings of biofuels to more than 60 wt.-% compared with fossil fuels in 2015. However, this positive development did not benefit the environment. Rather, the oil industry used the greenhouse gas savings to reduce volumetric biofuel blending and again increase the proportion of fossil fuels accordingly. The objective of replacing fossil fuels and lowering greenhouse gas emissions in the transport sector was thereby undermined. The German biofuel industry is therefore calling for ambitious greenhouse gas reduction targets. Instead of an abrupt rise to 6 wt.-% in 2020, a staged increase should take place earlier and in annual increments. This would ensure that the greenhouse gas reduction target of 6 wt.-%, which applies from 2020 onwards, is also actually achieved.

**Belgium |** A blending obligation, according to which petrol must contain 4 vol.-% of bioethanol, currently applies in Belgium. In February 2016, the Belgian government decided to increase this blending obligation to 8.5 vol.-% as of 1 January 2017. The royal decree, which also facilitates the introduction of E10 in Belgium, was submitted to the European Commission by way of notification.



**United Kingdom I** In the United Kingdom, the use of biofuels is being promoted under a volumetric blending obligation, the so-called "Renewable Transport Fuel Obligation" (RTFO). After the blending rate had been successively increased from its original level of 2.5 vol.-% since 2008/09, it has stood at 4.75 vol.-% since 2013/14. According to the current legal situation, there is no provision for any further increase. Even if biofuels from waste materials and residues are counted double, the EU's 10% target will be difficult to achieve with this specification. It is now up to the legislative body in the United Kingdom to quickly increase the blending targets laid down in the RTFO. With regard to a more sustainable fuel supply, the introduction of E10 into the British petrol market would make sense – also from the point of view of the preservation of jobs in the domestic biofuel industry.

**France I** In France, the use of biofuels is being promoted by an energy-based blending obligation, which currently amounts to 7% in the petrol sector and 7.7% in the diesel sector. In addition, biofuels from waste materials and residues are counted, to a limited extent, double towards the blending targets. With regard to decarbonisation of the transport sector, the French government is also focusing on giving energy taxation a more ecological orientation. With effect from 1 January 2016, the taxation of E10 was therefore lowered by 0.3 cents/litre, whereas the tax rates for Super and Super plus were raised by 1.7 cents/litre and for diesel by 3 cents/litre. This is expected to bring about a further increase in E10's share of the French petrol market, which stood at around a third in 2015. Regardless of the current discussion about a 2030 energy and climate package, the French legislative body has already set the course for more climate protection in 2015. The "Act on the Energy Transition for Green Growth" of 17 August 2015 accordingly lays down that renewable energies' share of end energy consumption should rise to 32% in 2030. The transport sector is to contribute to this target with a 15% proportion of renewable energies. France is thereby sending a clear signal that mandatory targets for renewable energies are also indispensable in the transport sector after 2020.

**Developments within the CropEnergies Group I** CropEnergies significantly improved its earnings situation in the 2015/16 financial year. Although production and sales quantities declined

year over year due to lower overall capacity utilisation rates, an increase in bioethanol revenues and a slight decline in raw material prices resulted in a much higher gross margin.

Despite the more favourable market environment, CropEnergies is allowing for the continuing uncertainties with regard to price and quantity developments through improvements in the group's cost and earnings structure. Although there is no doubt about the necessity of lowering greenhouse gas emissions in transport, the demand for fuel ethanol in Europe remains restrained. In view of the ever shorter time until 2020, however, it is becoming more and more pressing for member states to put their original plans for expanding the use of renewable energies in the transport sector into practice. Ambitious blending targets and the introduction of E10 in other member states would enable CropEnergies to use its full production potential of 1.3 million m<sup>3</sup> of bioethanol.

**Production I** As expected, production in the CropEnergies Group declined in the 2015/16 financial year due to the temporary closure of the plant in Wilton. Bioethanol production declined to 837,000 (1,056,000) m<sup>3</sup>. The plants in Zeitz, Wanze and Loon-Plage were operated at very high capacity utilisation rates. Due to the reduction in bioethanol production, the production of food and animal feed products was also lower. The production of dried food and animal feed products fell to 352,000 (537,000) tonnes.

In Zeitz, CropEnergies continually adjusted raw material use to the prevailing conditions on the commodity markets over the course of the financial year at high capacity utilisation rates. The plant with an annual production capacity of up to 60,000 m<sup>3</sup> of high-quality, food-grade neutral alcohol, which was taken into operation at the beginning of 2015, was constantly operated at high capacity utilisation rates after a very short period of time. CT Biocarbonic GmbH was able to further increase the production of biogenic carbon dioxide.

The bioethanol plant in Wanze also operated at high capacity utilisation rates, with high yields being obtained as a result of the optimisations that had been implemented. Furthermore, measures for reducing specific energy use resulted in higher greenhouse gas reductions.



The temporary closure of the bioethanol plant in Wilton was used to carry out maintenance measures. Optimisation activities that will increase the plant's availability and efficiency were also carried out. The focus was on improving specific energy consumption and increasing process stability.

In Loon-Plage, denaturation possibilities were extended and loading facilities optimised. Furthermore, the availability of the production plant in Loon-Plage was increased.

All bioethanol plants are certified as sustainable in accordance with at least one of the certification systems recognised by the European Commission. The certification enables CropEnergies to prove that the bioethanol produced meets the sustainability criteria of the "Renewable Energies Directive". The verified greenhouse gas reductions significantly surpass the greenhouse gas reductions of at least 35 wt.-% required by the Directive.

Only agricultural raw materials of European origin are processed at Zeitz, Wanze and Wilton. CropEnergies attaches great importance to sourcing grain and sugar syrup locally, thereby minimising freight costs. To be able to better assess the trends on the grain, sugar and animal feed markets, CropEnergies is in regular dialogue with commodities experts. The tried and tested series of seminars involving important grain suppliers and animal feed customers was also continued in the 2015/16 financial year, with participants discussing developments on the global grain and animal feed markets.

**Bioethanol sales** | As expected, sales of bioethanol declined as a result of the fall in production quantities. It amounted to 997,000 (1,283,000) m<sup>3</sup>, with traded commodities accounting for 178,000 (229,000) m<sup>3</sup>.

CropEnergies' customers are mainly large and medium-sized oil companies. Germany continues to be the most important sales market. With the tank storage facilities at its production sites as well as in Rotterdam and Duisburg, CropEnergies has a unique European logistics network, which enables customers to be supplied at favourable freight rates.

In Germany, the market for E85, a bioethanol/petrol mix for flexible fuel vehicles, has been virtually non-existent since 1 January 2016. This is due to the increase in energy tax to around 65 cents per litre of E85. The associated increase in pump prices restricted the marketability of the fuel to such an extent that CropEnergies also had to stop selling the climate-friendly fuel CropPower85 with effect from 31 December 2015. It is regrettable that the declared aim of lowering greenhouse gas emissions in the transport sector is therefore no longer being pursued with this product.

Over the past few years, CropEnergies has expanded its activities in segments outside the fuel market, thereby making itself less dependent on developments on energy markets. Well-known companies in the beverage, cosmetics, pharmaceutical and chemical industries are customers of neutral alcohol. With the new plant for producing high-grade, food-quality neutral alcohol in Zeitz and the production plant in Loon-Plage, CropEnergies has attractive sales opportunities in these traditional market segments. CropEnergies also pressed ahead with the sale of neutral alcohol at Ryssen Chile SpA and strengthened its market position in Chile.

Through CropEnergies Inc., Houston (USA), and a presence in Brazil, CropEnergies is represented in the world's two largest bioethanol markets. This gives CropEnergies the possibility of trading directly with local and international customers. Owing to international price developments and the introduction of an anti-dumping duty on bioethanol from the USA, there are currently very few bioethanol imports from these two countries to the EU, with the result that CropEnergies mainly concentrates on monitoring market developments in Brazil and the USA.

**Sales of food and animal feed products** | Thanks to its integrated production methods and the concept of making full use of the supplied raw materials, CropEnergies has a broad portfolio of high-grade food and animal feed products. It focuses on the utilisation of protein-rich animal feed products in liquid and dried form, which, owing to their high feed value and excellent digestibility, have developed into the third most important source of protein in the European feed market. This makes them an important cornerstone of European





protein supply. The manufacture and marketing of these products from bioethanol production is an important component of CropEnergies' business model. This not only increases the profitability of the production plants, but also reduces raw material price risks owing to the high correlation between grain and animal feed prices. In Zeitz, CropEnergies produces the dried and pelletised protein animal feed ProtiGrain®. In Wanze, CropEnergies produces the liquid protein animal feed ProtiWanze® and high-grade dried gluten for food and animal feed product applications. In Wilton, CropEnergies is able to produce high-grade dried and liquid protein animal feed.

In line with the lower production volume of dried food and animal feed products, sales also declined by 31% to 366,000 (528,000) tonnes in the 2015/16 financial year. Owing to the fact that the global oil seed harvest was again extremely good in 2015/16, international protein prices continued to fall. The decline in price in Europe was moderate in view of a smaller rapeseed harvest and the depreciation of the euro against the US dollar. Compared with grain prices, CropEnergies therefore remained able to achieve attractive revenues for protein food and animal feed products.

The high-grade protein animal feed ProtiGrain® produced in Zeitz represents, in the European feed market, an alternative to rapeseed meal and other protein animal feed products that is competitive in terms of price and quality. The focus of marketing activities continued to be on the development of the local animal feed market, which enables customers in the compound feed industry, in particular, to be supplied at favourable freight rates. The main markets for ProtiGrain® apart from Germany continued to be the large animal feed markets including the Netherlands and France.

At the site in Wanze, CropEnergies produces not only bioethanol, but also the protein-rich products gluten and CDS (Concentrated Distillers' Solubles). Owing to its nutritional and technical properties, gluten is used above all in the food industry and in special animal feeds, for example, in fish breeding. It is distributed through BENEÓ Orafiti SA, a subsidiary of Südzucker AG that specialises in marketing ingredients for food products and animal feeds, and has a global

sales network. The gluten, which is certified according to IFS (International Food Standard), is also being sold in the food sector, for instance to improve baking quality.

In Wanze, CDS (Concentrated Distillers' Solubles) – a high-protein liquid animal feed for cattle and pigs – is obtained from the proteins and other components of the fermented wheat grain remaining after distillation. It is distributed to livestock owners in the Benelux countries, in particular, under the brand name ProtiWanze®. In addition, customers in Germany and France are also supplied. The penetration of the markets for liquid protein animal feeds was pursued in close cooperation with the distribution partners.

CropEnergies' integrated production concept, which allows both bioethanol and high-grade food and animal feed products to be produced at similar levels from domestic raw materials, provides food, feed and fuel in equal measure. CropEnergies thereby ensures that raw materials are fully utilised and virtually no residues are left. CropEnergies thereby not only produces a sustainable alternative to imports of crude oil, but also reduces the supply gap for vegetable proteins that exists in Europe. This contributes to lowering soy imports from South America, thereby reducing the pressure on even more intensive land use in these countries.



## Results of operations, financial position, assets and liabilities

### Results of operations

€ thousands	2015/16	2014/15
<b>Revenues</b>	<b>722,602</b>	<b>827,165</b>
<b>EBITDA*</b>	<b>121,544</b>	<b>25,177</b>
<i>EBITDA margin in %</i>	<i>16.8%</i>	<i>3.0%</i>
Depreciation*	-34,849	-36,410
<b>Operating profit</b>	<b>86,695</b>	<b>-11,233</b>
<i>Operating margin in %</i>	<i>12.0%</i>	<i>-1.4%</i>
Restructuring costs and special items	-18,055	-28,424
Income from companies consolidated at equity	40	290
<b>Income from operations</b>	<b>68,680</b>	<b>-39,367</b>
Financial result	-5,717	-3,742
<b>Earnings before income taxes</b>	<b>62,963</b>	<b>-43,109</b>
Taxes on income	-20,316	-14,934
<b>Net earnings (loss) for the year</b>	<b>42,647</b>	<b>-58,043</b>
<b>Earnings per share, diluted/undiluted (€)</b>	<b>0.49</b>	<b>-0.67</b>

\* Without restructuring costs and special items

**Group revenues** | As expected, CropEnergies recorded a decline in business volume in the 2015/16 financial year as a result of the temporary closure of the production plant in Wilton. The reduced production quantities are reflected in lower sales volumes of bioethanol as well as food and animal feed products. Trade volumes were also below the previous year's level.

This decline in volume however, stood against a pleasingly positive developments in sales prices. Particularly on the bioethanol market, higher revenues were obtained in the course of the financial year, although the listings as of the end the financial year were again significantly below the high for the year. As the food and animal feed products produced were

also sold at slightly better prices, revenues, at 723 (827), were only 13% below the previous year's level.

Further details on revenue development can be found in the "Report on business operations" section.

**EBITDA** | CropEnergies significantly improved its earnings situation in the 2015/16 financial year. The improvements in sales prices for bioethanol made a significant contribution here. At the same time, raw material costs were considerably reduced, mainly due to lower grain prices compared with the preceding financial year. As higher revenues were also obtained for food and animal feed products, a significantly better gross margin was generated, taking all factors



into account. The materials expense ratio notably declined to 72.5% (85.8%) of overall performance. In addition, there was an improvement in the operating cost structure, particularly during the temporary closure of the plant in Wilton. In the meantime, the costs incurred will be classified as restructuring costs. Overall, EBITDA, adjusted for special items, rose to € 121.5 (25.2) million.

**Operating profit / restructuring and special effects I** With depreciation declining slightly to € 34.8 (36.4) million, the sharp increase in EBITDA, adjusted for special items, also resulted in a considerable improvement in operating profit to € 86.7 (-11.2) million. Based on revenues, this gives rise to an operating margin of 12.0% (-1.4%). In the 2015/16 financial year, CropEnergies incurred restructuring costs and special items totalling € 18.1 (28.4) million, which mainly relate to the temporary closure of the production plant in Wilton.

**Income from operations I** Income from operations, as the sum of operating profit, earnings from entities consolidated at equity and special items, rose to € 68.7 (-39.4) million.

**Financial result I** The reduction in the net financial result to € -5.7 (-3.7) million is due, in particular, to fluctuations in the exchange rate for the British pound.

**Taxes on income I** Earnings before taxes improved to € 63.0 (-43.1) million. Expenditure of € 20.3 (14.9) million was posted for taxes on income in the reporting period. Of this, € 13.7 (3.2) million was current tax expense.

**Net earnings/loss for the year I** Consolidated net earnings for the year amounted to € 42.6 (-58.0) million.

**Earnings per share I** Based on 87.25 million no-par-value shares, that translates into earnings per share of € 0.49 (-0.67).



## Financial position

### Statement of changes in financial position

€ thousands	2015/16	2014/15
Gross cash flow	87,265	5,285
Change in net working capital	14,300	20,796
<b>Net cash flow from operating activities</b>	<b>101,565</b>	<b>26,081</b>
Investments in property, plant and equipment and intangible assets	-16,831	-31,636
Cash received on disposal of non-current assets	66	152
Investment subsidies received	5	0
<b>Cash flow from investing activities</b>	<b>-16,760</b>	<b>-31,484</b>
<b>Cash flow from financial activities</b>	<b>-86,430</b>	<b>2,597</b>
Change in cash and cash equivalents due to exchange rate changes	-62	-1,346
<b>Decrease in cash and cash equivalents</b>	<b>-1,687</b>	<b>-4,152</b>

As a result of the increase in EBITDA, adjusted for special items, to € 121.5 (25.2) million, cash flow increased to € 87.3 (5.3) million. Including the change in net working capital, cash flow from operating activities amounted to € 101.6 (26.1) million.

The cash outflow from investing activities declined to € 16.8 (31.5) million and was almost entirely attributable to investments in property, plant and equipment. The investments were used, in particular, to diversify the product portfolio and to make improvements in the production plants.

The receipt of financial liabilities amounting to € 14.1 (79.1) million was offset by repayments of € 100.5 (67.8) million. This resulted in a net cash outflow from financing activities of € 86.4 (previous year: cash inflow of € 2.6) million.

**Investments** | In the 2015/16 financial year, capital expenditure on property, plant and equipment declined to € 16.7 (31.4) million. Of the total, € 8.1 million was invested at CropEnergies Bioethanol GmbH, € 7.7 million at BioWanze SA, € 0.4 million at Ensus UK Ltd and € 0.3 million at Ryssen Alcools SAS. In addition, a sum of € 0.1 (0.4) million was invested in intangible assets.



### Assets and liabilities

Total assets were € 52.4 million below the previous year's level at € 591.5 (643.9) million. Shareholders' equity rose to € 367.2 (331.7) million thanks, in particular, to the gratifying earnings situation. The CropEnergies Group's equity ratio reached 62% (52%).

#### ASSETS

€ thousands	29/02/2016	28/02/2015
Non-current assets	459,788	493,362
Current assets	131,688	150,552
<b>Total assets</b>	<b>591,476</b>	<b>643,914</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

€ thousands	29/02/2016	28/02/2015
Shareholders' equity	367,215	331,660
Non-current liabilities	103,035	157,863
Current liabilities	121,226	154,391
<b>Total liabilities and shareholders' equity</b>	<b>591,476</b>	<b>643,914</b>
Net financial debt	65,678	150,148
Debt-cash flow ratio	0.8	28.4
Equity ratio	62.1%	51.5%
Net financial debt in percent of equity	17.9%	45.3%

**Non-current assets** declined by € 33.6 million to € 459.8 million as of 29 February 2016, with fixed assets, in particular, decreasing by € 28.1 million to € 452.8 million as a result of scheduled depreciation and allowing for investments. This amount includes goodwill, which was unchanged at € 5.6 million. Deferred tax assets declined by € 5.6 million to € 5.2 million. Furthermore, the interest in entities consolidated at equity rose by € 0.1 million to € 1.8 million. Shareholders' equity and non-current liabilities cover 103.9% (101.8%) of fixed assets.

**Current assets** declined by € 18.9 million to € 131.7 million, with trade receivables and other assets, in particular, decreasing by € 13.9 million to € 60.2 million. This also includes the positive mark-to-market values from derivative hedging instruments of € 0.2 (0.7) million. Inventory stocks were reduced by € 6.8 million to € 56.9 million. Furthermore, tax assets increased by € 3.5 million to € 6.6 million and cash and cash equivalents declined by € 1.7 million to € 8.0 million.

**Non-current liabilities** declined by € 54.8 million to € 103.0 million, with non-current financial liabilities, in particular, being reduced by € 48.0 million to € 51.0 million through repayments. In addition, other provisions decreased by € 8.1 million to € 11.2 million, while provisions for pensions and similar obligations increased by € 3.1 million to € 19.4 million. Deferred tax liabilities declined by € 1.5 million to € 21.0 million and other liabilities by € 0.3 million to € 0.4 million.

**Current liabilities** declined by € 33.2 million to € 121.2 million, with short-term financial liabilities, in particular, decreasing by € 38.1 million to € 22.7 million through repayments. As a result of the positive earnings development, however, current tax liabilities increased by € 17.7 million to € 18.9 million. Furthermore, trade payables and other liabilities declined by € 8.8 million to € 65.1 million. This also includes the negative mark-to-market values from derivative hedging instruments of € 7.7 (0.7) million. Other provisions decreased by € 4.0 million to € 14.5 million.

On balance, **net financial debt** was significantly reduced to € 65.7 (150.1) million. Of the total, € 51.0 million is due in the long term and € 22.7 million in the short term. Set against this, there are cash and cash equivalents of € 8.0 million. The ratio of net financial debt to cash flow was 0.8 (28.4).



## Economic value added, capital structure and dividend

### Economic value added

The return on capital employed (ROCE, for short) is calculated as a dependent variable from the ratio of operating profit to capital employed. Capital employed comprises invested property, plant and equipment plus acquired goodwill and working capital as of the reporting date.

ROCE in 2015/16 increased to 17.5% (-2.1%), mainly due to the sharp increase in operating profit. Capital employed declined to € 496 (524) million. This was mainly due to the decline in fixed assets caused by scheduled depreciation and taking investments into account. Capital expenditures of € 17 (32) million were below depreciation of € 40 (36) million.

€ thousands	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Operating profit</b>	<b>86,695</b>	<b>-11,233</b>	<b>35,002</b>	<b>87,018</b>	<b>53,008</b>
Property, plant and equipment*	447,176	475,232	472,519	437,344	458,624
Goodwill	5,595	5,595	5,595	5,595	5,595
Working capital	43,142	43,191	71,186	64,173	60,287
<b>Capital employed</b>	<b>495,913</b>	<b>524,018</b>	<b>549,300</b>	<b>507,112</b>	<b>524,506</b>
Return on capital employed (ROCE)	17.5%	-2.1%	6.4%	17.2%	10.1%

\* Including intangible assets





### Capital structure

The capital structure is managed on a long-term basis, focusing on both dynamic and static indicators. The key parameters here are the debt ratio (ratio of net financial debt to cash flow), the debt to equity ratio (net financial debt as a percentage of equity) and the equity ratio (equity as a percentage of total assets).

CropEnergies AG has direct and flexible access, with a sub-credit line of € 100 million, to a € 600 million syndicated bank credit facility arranged by Südzucker AG. The syndicated bank credit facility matures in November 2020. The interest rate is based on the euro zone's short-term interbank rate plus a (drawdown) margin. The credit line was not drawn as of 29 February 2016.

€ thousands	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Debt factor</b>					
Net financial debt	65,678	150,148	134,674	82,907	158,383
Cash flow	87,265	5,285	50,858	98,238	63,986
Debt-cash flow ratio	0.8	28.4	2.6	0.8	2.5
<b>Debt equity ratio</b>					
Net financial debt	65,678	150,148	134,674	82,907	158,383
Shareholders' equity	367,215	331,660	395,344	389,705	353,929
Net financial debt in percent of equity	17.9%	45.3%	34.1%	21.3%	44.8%
<b>Equity ratio</b>					
Shareholders' equity	367,215	331,660	395,344	389,705	353,929
Total assets	591,476	643,914	666,305	598,947	623,444
Equity ratio in percent	62.1%	51.5%	59.3%	65.1%	56.8%

The determining factor for the improved capital structure in the 2015/16 financial year was the reduction in financial liabilities. Accordingly, net financial debt was significantly reduced, while shareholders' equity increased due to net earnings. The cash flow was in line with the increased EBITDA.

- The equity ratio increased to 62% (52%).
- The debt-to-equity ratio, which relates net financial debt to equity, reached 18% (45%).
- The debt ratio, as the percentage of net financial debt to cash flow, was significantly improved to 0.8 (28.4).



### Dividend

In its dividend policy, CropEnergies takes into account the sustainable operating profit performance, the cash flow, the risks and the further possibilities of growth and debt.

€ thousands	2015/16	2014/15	2013/14	2012/13	2011/12
Operating profit	86,695	-11,233	35,002	87,018	53,008
Net earnings for the year	42,647	-58,043	12,006	57,175	30,180
Cash flow	87,265	5,285	50,858	98,238	63,986
Earnings per share (€)	0.49	-0.67	0.14	0.67	0.36
Dividend per share (€)	0.15*	0.00	0.10	0.20	0.18
Extra dividend per share (€)	0.00*	0.00	0.00	0.06	0.00
<b>Total dividend per share (€)</b>	<b>0.15*</b>	<b>0.00</b>	<b>0.10</b>	<b>0.26</b>	<b>0.18</b>
Payout ratio	30.6%	0.0%	71.4%	38.8%	50.0%

\*Proposed

### Proposed appropriation of profit

CropEnergies Group's consolidated net earnings for the year (according to IFRS) rose to € 42.6 (-58.0) million. After an allocation of € 17.8 million to the revenue reserves, the unappropriated profit of CropEnergies AG derived according to German commercial law, which is the relevant net earnings figure for appropriation purposes, amounted to € 17.8 million.

The executive board and supervisory board will propose to the annual general meeting on 12 July 2016 that from the unappropriated profit of CropEnergies AG of € 13.1 million, a corresponding dividend of € 0.15 per share be distributed, a further € 4.5 million be allocated to the revenue reserves and the remaining unappropriated profit of € 0.2 million be carried forward.



## Actual and forecast business performance

The table below compares the actual performance in the 2015/16 financial year with the forecast for 2015/16 published in the 2014/15 annual report and the 2015/16 interim financial reports. The date indicated in each case relates to the publication date of the report.

Outlook 2015/16		19 May 2015 Annual report 2014/15	17 June 2015 Ad hoc announcement 2015/16*	22 September 2015 Ad hoc announcement 2015/16*	19 November 2015 Ad hoc announcement 2015/16*	Actual 2015/16	Actual 2014/15
Revenues	€ million	Revenue growth to between € 625 and € 675 million	Revenue growth to between € 675 and € 725 million	Revenue growth to between € 700 and € 750 million	Revenue growth to between € 700 and € 750 million	723	827
Operating profit	€ million	minus 20 and plus 10	plus 10 and plus 40	plus 50 and plus 70	plus 70 and plus 90	87	-11

\* Ad hoc announcements to adjust outlook

An adjustment of the forecast for the 2015/16 financial year was made by means of an ad hoc announcement on 17 June 2015. As a result of the rise in bioethanol prices in Europe, lower raw material prices and the improved cost structure brought about by the pause in production at the plant in Wilton in the United Kingdom, expectations for revenues and operating profit were raised.

On 22 September 2015, the forecast for the 2015/16 financial year was adjusted again by means of an ad hoc announcement. As a result of the improved price level on the European bioethanol market, expectations for revenues and operating profit were significantly raised once again.

A further adjustment of the forecast for the 2015/16 financial year was made by means of an ad hoc announcement on 19 November 2015. The main reason for the improved earnings situation was the spot prices for bioethanol which were continuing to trade significantly above the initially anticipated forward prices. The expectation in respect of operating profit was therefore raised again.



# MOBILITY



## Which cars can use ethanol?



### All petrol engines at least 5%

To permanently lower greenhouse gas emissions, conventional petrol in Europe already contains up to 5% bioethanol today. Because every petrol engine is compatible with at least E5.

# 90%

### More than 90% of German petrol engines 10%

Since 2011, German petrol stations also offer E10, petrol with a bioethanol content of up to 10%. This fuel can be used by more than 90% of the petrol powered cars in Germany and, according to the German automotive manufacturers association, by approximately 99% of the petrol driven vehicles of German producers.



### Newer models 20%

Newer models can be powered not only with E10, but even with an ethanol content of up to 20% in petrol.



### The legendary "Silberpfeil"

The German Mercedes grand prix racing cars, the legendary "Silberpfeil" (silver arrows) were already powered by a 10% ethanol content in the 1930s – and quite successfully, too, as is well-known. Henry Ford, when designing his famous Model T, had alcohol made from renewable resources in mind and was convinced of its long-term importance.

"The fuel of the future is going to come from fruit like that sumach out by the road, or from apples, weeds, sawdust – almost anything."

(Henry Ford to the New York Times, 1925)



## REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

After the end of the financial year, no significant changes have arisen with regard to the economic environment or the situation in our industry. There are no other events of particular importance to be reported for the CropEnergies Group.

## RISK AND OPPORTUNITIES REPORT

### Risk management system

CropEnergies is one of the largest and most efficient producers of bioethanol in Europe. Owing to the production, distribution and trading network that has been created, CropEnergies is excellently positioned to occupy a leading role in the European bioethanol market and to capitalise on international trading activities. Additionally, as a result of its complete utilisation of agricultural raw materials, CropEnergies has an attractive portfolio of high-grade food and animal feed products. This reduces the dependence on developments on the ethanol and raw material markets. Company operations, external influences and corporate actions to secure the survival, growth and success of an undertaking are subject to opportunities and risks. In order to identify these and actively manage them, CropEnergies has set up a group-wide risk management system.

CropEnergies' opportunities and risk management includes in-house regulations for recording, presenting and interpreting risk-related processes and culminates in the monthly meetings of the risk management committee. The processes are integrated into the Südzucker Group's risk management. All group companies are included in the consolidated group for risk management purposes.

### Risk and opportunity policy

For CropEnergies, the responsible handling of entrepreneurial opportunities and risks is an integral part of sustainable, value-oriented corporate management. Assessing risks and utilising opportunities serves to safeguard the company and extend its competitiveness. To that end, CropEnergies uses an integrated system for the early detection and monitoring of business-specific risks. The successful treatment of risks is based on achieving a balanced relationship between return and risks. The company's risk culture is characterised by risk-conscious conduct, clearly defined responsibilities, independence during risk controlling and the implementation of internal controls.

### Risk management

Risk management is an integral part of the overall planning, controlling and reporting processes and is defined by the executive board. It must ensure that existing risks are detected, analysed and assessed early and systematically and that risk-related information is properly forwarded to the relevant decision-makers. This improves the internal transparency of situations and processes that have an element of risk and encourages all





employees to behave in a risk-conscious manner. Risk management is supplemented by a monitoring system, which ensures that the measures taken are complied with.

One of the key risk management tasks is to limit risks associated with changing market prices. For example, there are market price risks associated, in particular, with sales and procurement processes, which we also limit through the selective use of derivatives. The executive board has defined the acceptable instruments in guidelines, which also govern hedging strategies, responsibilities, processes and control mechanisms. The hedging instruments are mainly used to hedge operating activities and are entered into on regulated markets or with banks that have a high credit rating.

Adherence to applicable legislation, corporate guidelines and regulatory standards recognised by the company is an integral part of our corporate culture and, as such, the duty and obligation of each and every employee. CropEnergies has adopted a group-wide compliance guideline to ensure that all employees conduct themselves in accordance with the rules and trains employees accordingly.

Opportunities that arise are also identified, pursued and managed at the same time as the analysis of risks in CropEnergies' risk management system.

#### **System for the early detection of risks**

The executive board bears group-wide responsibility for the risk management system, for the early detection of risks to the company as a going concern and strategic risks and for initiating countermeasures. It has set up a risk committee, which comprises the executive board and managers from the procurement, sales, logistics, operations, business development, public relations, finance, accounting and controlling divisions and Südzucker risk management. The risk committee usually convenes once a month and also on an ad hoc basis if and when the need arises. The subject of the consultations includes all risk categories. For the main risks relating to raw materials sourcing, sales, trading and financial market risks, standardised scenario projections are calculated on the basis of future market expectations and the effects on planned operating profit are determined. Risk is assessed on a monthly basis for the current and following financial year. Any trading risks that exist are assessed on a daily basis. In addition to the regular reporting, ad hoc risks require inter-

nal group reporting to the executive board. The independent auditor regularly assesses whether the system for the early detection of risks functions properly.

#### **Risk communication**

An effective risk management system requires open and prompt communication with the employees within the company and responsible action on the part of the employees. Partly through its direct involvement in the risk committee, management ensures that this open and prompt communication takes place and requires that the employees deal with risks in a conscious and proactive manner. Operational and strategic risks are reported on a regular basis as part of the overall planning, controlling and reporting process.

#### **Internal audit**

The Südzucker Group's internal audit department examines and assesses the cost-effectiveness and regularity of the business processes at CropEnergies. It also monitors the effectiveness of the internal control systems and the risk management system.



## Risks

### Overview of corporate risks

The corporate risks material to CropEnergies are described below and classified along the criteria "probability of occurrence" and "possible financial impact" following countermeasures. The table below shows the relative or absolute values used for the corresponding categories "low", "medium" and "high".

The importance of the risks is based on a combination of the probability of occurrence and the possible financial impact.

Currently, the major individual risks include the procurement and sales risks as well as the risks from changes in the legal and political framework. In comparison, the financial impact of the other presented risks is of secondary importance.

Overview of corporate risks	Likelihood of materialisation	Possible financial effects
Low	< 10%	< € 1 million
Medium	10–50%	€ 1–10 million
High	> 50%	> € 10 million

Overview of corporate risks	Likelihood of materialisation	Possible financial effects
<b>Regulatory risks</b>		
Changes in the legal and political environment	high	high
General economic risks	medium	medium
<b>Operational risks</b>		
Procurement risk	high	high
Sales risk	high	high
Risks in trading business	low	medium
Quality risks	low	medium
IT risks	low	medium
Personnel risks	low	medium
Legal risks	medium	medium
Antitrust law risks	medium	medium
Risks of corruption	low	medium
Credit risks	low	low
Other operational risks	low	low
<b>Financial risks</b>		
Liquidity risks	low	high
Exchange rate risks	medium	medium
Interest rate risks	medium	low



## Strategic risks

Regulatory developments can have both a positive and a negative impact on the progress of business activities. As discussed in detail in the section "Developments in the political environment" in the management report, CropEnergies' business activities are governed by various regulatory and political framework conditions at both national and European levels. In addition, the framework conditions especially in the USA and Brazil, which are home to the world's largest bioethanol markets, can have an impact on international trade flows and thus indirectly affect the business activities of CropEnergies.

For example, an increase or reduction in national blending quotas and the restriction on, or promotion of, the usability of various raw materials may result in additional opportunities or risks. Delays in implementing political targets may also pose risks. For example, the so-called "iLUC Directive" was published on 15 September 2015 after almost three years of debate. The European Parliament and the Council of the European Union have thereby specified the manner in which the objectives of the "Renewable Energies Directive" and the "Fuel Quality Directive" are to be achieved. The new regulations specify, among other things, that 7% of the stipulated 10% of renewable energies in the transport sector can come from conventional biofuels. Member states must transpose the regulations into national law within two years. The market growth of biofuels in the EU and hence concomitant, efficient use of existing production capacities is contingent upon swift implementation.

Actual, claimed or refuted effects of bioenergy production on the cultivation of agricultural goods in other regions of the world may likewise involve opportunities or risks. Changes in foreign trade relations with third countries, in statutory compensation systems for generated renewable energies existing in a number of EU countries as well as in tariff rates may also result in opportunities or risks.

In addition, changes in the framework conditions of the certification systems relevant to CropEnergies may affect the competitiveness of the bioethanol produced by CropEnergies.

CropEnergies counters the regulatory risks by being a member of various associations which represent the interests of the bioethanol industry at national and European level and are constantly in contact with political decision-makers.

In addition, the products of the CropEnergies Group are exposed to the risk of fluctuations in demand due to the development of the economy as a whole or changes in consumer behaviour.

## Operational risks

### Procurement risk

To produce bioethanol, the CropEnergies Group mainly requires agricultural raw materials containing carbohydrates such as grain and sugar syrups. Price fluctuations on the world markets for agricultural commodities and foreign exchange markets therefore have a direct impact on the cost of raw materials.

CropEnergies reduces the raw materials risk associated with producing bioethanol to some extent by revenues from the sale of food and animal feed products generated in the production process. Since changes in grain prices are usually accompanied by a change in the prices of high-grade food and animal feed products in the same direction, CropEnergies can partly offset price fluctuations in the raw materials purchased through revenues from the sale of these products ("natural hedge"). CropEnergies therefore bases its risk assessment on a balanced appraisal of the raw material costs and the proceeds from high-grade food and animal feed products ("steering according to net raw material costs"). In addition, CropEnergies can reduce the impact of a possible rise in grain prices on raw material costs through a far-sighted procurement policy and through the use of sugar syrups. In doing so, CropEnergies' objective is to secure the raw materials required for its delivery commitments in a timely manner.

In order to limit these risks, CropEnergies uses derivative hedging instruments to secure raw material prices. The use of these hedging instruments takes place within defined limits and rules, and is subject to an extensive control process. Remaining risks arising from increases in the price of raw materials are reduced by entering into longer-term supply contracts



and by using alternative raw materials. Furthermore, hedges in purchasing raw materials are regularly synchronised with the sale of food and animal feed products as well as bioethanol, with a decision being taken on the hedging ratio according to the market situation. Nonetheless, depending on the market price situation, there is still the risk that it might not be possible to close hedging transactions that cover the costs, or that increases in raw material prices cannot be passed on to bioethanol customers.

CropEnergies is also exposed to the risk of fluctuations in market price when it comes to purchasing energy. It counters this risk by using different energy sources and entering into longer-term supply agreements for energy.

The EU links the promotion of fuels produced from biomass to compliance with certain sustainability criteria. Bioethanol produced by CropEnergies fulfils these requirements. This presupposes that sustainably grown raw materials are also available.

The regulations regarding CO<sub>2</sub> certificates also give rise to opportunities and risks for CropEnergies. Under current EU regulations, the production of bioethanol for 2013 to 2019 fulfils the carbon leakage criteria, according to which a limited number of CO<sub>2</sub> certificates are allocated free of charge. Compliance with carbon leakage criteria will be audited every five years in future; the next audit relates to allocation years 2020 to 2024. Any cessation of carbon leakage status from 2020 onwards would significantly curtail the annual allocation of free-of-charge CO<sub>2</sub> certificates; no cessation of the carbon leakage status is currently anticipated. With regard to the upcoming 4th trading period for 2021 to 2030, the free allocation is expected to be further significantly reduced even if the carbon leakage status is preserved.

There is also a price risk for CO<sub>2</sub> certificates that need to be purchased.

#### **Sales risk**

The CropEnergies Group is exposed to market price risks with regard to end products. CropEnergies controls these risks through the arrangement of sales contracts and their term as well as through derivative instruments as far as possi-

ble. The use of these hedging instruments takes place within defined limits and rules, and is subject to an extensive control process. European bioethanol prices are currently being determined by price reporting agencies, based on very small volumes, which results in high volatility and low levels of transparency in respect of price determination.

In December 2015, the European Parliament and the Council agreed to implement the so-called "Benchmark Regulation". This Regulation lays down a transparent pricing mechanism for price references in non-regulated markets. CropEnergies also expects the implementation of the Regulation to result in more transparency in the determination of bioethanol prices and hence less volatility and more liquidity in price quotation.

Large customers account for the bulk of the CropEnergies Group's sales of bioethanol. Should such supply contracts not be fulfilled or follow-on orders prove to be much smaller, this could give rise to risks for the results of operations and assets and liabilities.

CropEnergies contributes to reducing sales and price risks by continually optimising cost structures and/or adjusting capacity utilisation.

#### **Risks in trading business**

Insofar as CropEnergies conducts trading activities in bioethanol or corresponding commodity futures contracts, their risks are restricted by a limit system which sets limits on the scope of individual transactions as well as on the aggregate volume. There are further restrictions with regard to counterparty credit risks and changes in market value risks. The risks from trading activities are continuously monitored.

#### **Quality risks**

CropEnergies produces safe and high-quality products. In order to guarantee this process, CropEnergies has a quality assurance system which monitors product quality and environmental risks with the aid of modern process control technology and laboratory analyses. This includes all processes, from procurement of the raw materials to the production process through to the supply of customers, and defines responsibilities, activities and procedures.



### IT risks

Like any other company, CropEnergies depends on smoothly functioning IT systems. For the operational and strategic management of the company, CropEnergies uses advanced information systems. Optimisation and maintenance of the IT systems is ensured by the fact that they are embedded within the IT systems of the Südzucker Group.

### Personnel risks

The CropEnergies Group is in competition with other companies for qualified personnel. As one of the leading companies in the future market for biofuels, CropEnergies offers an attractive working environment, stability and the employee fringe benefits provided by the Südzucker Group as well as career prospects in an international environment.

### Legal risks

There are no observable legal disputes pending against the CropEnergies Group that could have a material effect on the group's financial position.

### Anti-trust law and corruption risks

Anti-trust law and corruption risks may arise if governing bodies or employees of the CropEnergies Group violate laws and internal rules such that the affected company of the CropEnergies Group suffers damage to its assets or image.

To prevent anti-trust law and corruption risks, CropEnergies has incorporated the corporate rules existing in the CropEnergies Group into its compliance management system and linked the various compliance-relevant departments and fields of activity. The compliance management system is based on the principles of "knowledge" (informing and training), "compliance" (verifying and documenting) and "improvement" (reporting and acting). Violations of external and internal provisions are not tolerated.

### Credit risks

Credit risks in respect of receivables are reduced at CropEnergies by constantly monitoring the creditworthiness, payment morale and credit lines of business partners, on the one hand, and using credit sale insurance and guarantees by way of cover, on the other. In trading activities, in particular, recourse can also

be made to letters of credit or similar instruments. Credit risks arising from financial investments and hedging transactions are minimised by concluding transactions exclusively with banks and partners that have a high credit rating. Accordingly, the creditworthiness of banks undergoes continual monitoring.

### Other operational risks

The risk of unplanned production stoppages is minimised by continuous maintenance measures and highly qualified staff. If required, CropEnergies examines whether an unplanned reduction in production at one plant can be offset by additional production at another plant.

In the areas of taxes, IT, administration and research & development, CropEnergies is able to draw on the support of the specialist departments of Südzucker AG under the shared service agreements.

## Financial risks

### Liquidity risks

The liquidity of the CropEnergies Group is managed on a day-by-day basis and optimised by means of national or transnational cash pools. Risks arising as a result of fluctuations in cash flows are identified early on and are managed within the framework of the liquidity planning, which is an integral part of the corporate planning process. Thanks to binding credit lines, CropEnergies can draw on ample cash resources in the short term where necessary.

### Exchange rate and interest rate risks

CropEnergies is exposed to a small extent to risks as a result of changes in exchange rates and interest rates. Exchange rate risks can arise both from operating activities and from foreign currency financing outside or within the group. As of 29 February 2016, CropEnergies had no loans from companies external to the group that were not denominated in euro.

Currency risks are hedged on a limited scale through derivative instruments. The use of these hedging instruments takes place within defined limits and rules, and is subject to a constant control process. Risks as a result of changes in interest rates



are reduced through a mix of fixed and variable rate loans, with the percentage of fixed rate loans predominating.

Detailed information on currency, interest rate and price risks as well as liquidity and credit risks can be found in the notes to the consolidated financial statements in item (29) Risk management within the CropEnergies Group.

### Overall risk

The main risks for the future development of the CropEnergies Group include, in particular, procurement and sales risks as well as risks from changes in the legal and political framework. CropEnergies' earnings are particularly affected by the high price volatility of the raw materials used – especially grain – and by the selling prices for bioethanol.

Phases in which bioethanol prices decline while grain prices remain the same or increase may give rise to losses if margins do not contribute to covering fixed costs. If variable costs can no longer be covered, a temporary closure of plants may be necessary.

The fact that the markets for grain and bioethanol behave relatively independently of one another and are also extremely volatile makes it more difficult to forecast the impact on earnings. Nevertheless, it is not always appropriate or possible to hedge all price risks in advance, as this would also reduce the opportunities for future positive price developments. In addition, insufficient liquidity in the case of price hedging instruments limits their economically viable use.

In sum, the overall risk of the CropEnergies Group has declined slightly year over year due to the expansion in the production of neutral alcohol, as neutral alcohol can be sold on a fixed price basis as part of longer-term contracts.

No risks posing a threat to the company's continued existence are discernible at the present time.

### Opportunities

The order of the opportunities described below corresponds to their importance for CropEnergies.

Further development of the company and its profitability are largely influenced by the development of selling prices for bioethanol, food and animal feed products and the costs of the raw materials used.

Opportunities are presented by lower grain prices and/or by higher prices for bioethanol or for food and animal feed products that are produced at the same time. CropEnergies can shield itself to some extent from the volatility of the grain markets through the use of sugar syrups as raw material. Additionally, CropEnergies benefits from the proceeds from the sale of high-grade food and animal feed products, which reduce its net raw material costs, and from its energy-optimised production.

Security of energy sources, climate protection and the strengthening of regional structures are the goals which the EU is pursuing with the expansion of the European bioethanol market. Framework conditions have been created that promote the increased use of bioethanol in the fuel sector. Opportunities can arise from the resulting market growth. If the introduction of E10 gathers momentum across Europe, the sales volume for bioethanol may increase significantly. This would give rise to further opportunities for growth for CropEnergies.

The establishment of the production plant for neutral alcohol in Zeitz offers CropEnergies an opportunity to develop further high-margin markets for bioethanol which have less price volatility and are less dependent on political stipulations.

Further opportunities for CropEnergies might arise from consolidation of the supplier structure on the European bioethanol market, as CropEnergies enjoys advantages over competitors due to its size, financial strength, locations and technological leadership.





## Overall opportunities

The group's overall opportunities have increased slightly year over year owing to the introduction of E10 in further EU member states which is expected in the medium term.

## Accounting-related internal control and risk management system

### Main features

The accounting-related internal control system in the CropEnergies Group comprises policies, processes and measures to ensure the effectiveness, cost efficiency and regularity of the financial reporting and compliance with the relevant legal provisions. The internal control system of the CropEnergies Group consists of a control system and a monitoring system.

### IFRS Reporting Guideline

The accounting and valuation principles of the CropEnergies Group, together with the rules on financial reporting according to the International Financial Reporting Standards (IFRS), define the standard accounting and valuation policies applied by the national and international subsidiaries included in the consolidated financial statements of CropEnergies. Only the IFRS adopted by the European Commission for application within the EU at the time the financial statements are prepared and whose application is mandatory during the financial year concerned are applied.

### Internal control system in relation to the accounting process

Through the established organisational, control and monitoring structures, the internal control system enables the complete recording, preparation and appraisal of company-related matters including their presentation in the group financial reporting.

Process-integrated and process-independent controls form the two constituents of the internal monitoring system of the CropEnergies Group. Besides the "dual verification principle", machine IT process controls and automated validation and plausibility checks are an integral part of the process-dependent controls.

At the group level, the specific control activities to ensure the regularity and reliability of the group financial reporting

include the analysis and, where necessary, adjustment of the separate financial statements presented by the group companies while taking into account the reports prepared by the independent auditors and the annual accounts discussions held for this purpose. In addition, there are comprehensive group guidelines on accounting and valuation. Furthermore, the processing and aggregation of data for the preparation of the management report and the notes to the financial statements is also performed at the group level.

The measures of the internal control system designed to ensure the regularity and reliability of the group financial reporting assure that transactions are recorded in their entirety and promptly in compliance with the requirements of the law and the articles of association. In addition, it is ensured that inventories are properly carried out and assets as well as liabilities are correctly recognised, measured and reported in the consolidated financial statements.

The separation of functions and responsibilities for administration, execution, settlement and authorisation is designed to prevent criminal acts. The internal control system also guarantees the replication of changes in the economic and legal environment of the CropEnergies Group as well as the application of new or amended statutory regulations on the group financial reporting.

### Internal audit

The supervisory board has delegated supervision of the effectiveness of the internal control and risk management system to the audit committee. As a process-independent audit body, the Internal Auditing department of the Südzucker Group is integrated in the internal monitoring system of the CropEnergies Group. It guarantees, in the course of its monitoring activities, the functionality and effectiveness of the system by carrying out regular system audits.

### External audit

The independent auditor examines the system for the early identification of risks, integrated into the risk management system, in terms of its fundamental suitability for identifying, at an early stage, risks that endanger the future of the company as a going concern. Furthermore, the auditor reports to the supervisory board about significant weaknesses identified in the system for internal control and the early detection of risks.



## OUTLOOK

### Macroeconomic climate and industry-specific environment

According to the European Commission's winter forecast, all EU member states reported increased or stable economic output in 2015. By 2017, the economy in all member states is expected to return to growth. Economic growth is accordingly expected to stand at 1.9% in the EU and at 1.7% in the euro zone. An increase to 2.0% and 1.9%, respectively, is expected in 2017. The low oil price, favourable financing conditions and the weakness of the euro are likely to have a stronger and longer-term effect than initially expected. On the other hand, new challenges for the global economy, and hence risks for the prospects of growth in Europe, are beginning to emerge, particularly through the slow-down of growth in China and other threshold countries.

### Bioethanol markets

In the EU, fuel ethanol consumption in 2016 is expected to decline further to 5.1 million m<sup>3</sup>. This means that the potential for bioethanol to bring about a rapid and cost-efficient decarbonisation of the transport sector will be far from fully utilised. Rather, a significant expansion in the use of renewable energies in the fuel sector requires the introduction of E10 across Europe. Following the conclusion of discussions about the future form of the political framework in the EU, this is expected to take place in the medium term. For example, E10 is expected to be available in Belgium from January 2017 onwards.

The demand for fuel ethanol in the EU is also expected to be mainly covered by domestic production in 2016. Market observers expect European production to increase to 5.1 million m<sup>3</sup>. This could give rise to a production surplus for fuel ethanol for the first time. A significant change in demand and supply is not expected for the bioethanol markets outside the fuel sector.

CropEnergies expects European bioethanol prices in 2016 to be below the previous year's level. This assessment is based on the fact that actual bioethanol demand continues to be significantly below the forecasts contained in EU member states' national action plans, which served as a basis for expanding production capacities in the EU. If there is moderate development in terms of bioethanol imports, the overall expectation is that European bioethanol prices will be mainly based

on raw material costs in Europe, which most recently experienced a fall.

### Grain markets

According to a forecast by the US Department of Agriculture (USDA) published on 12 April 2016, world grain production (excluding rice) will stand at 1,994 million tonnes in the 2015/16 grain year, and hence only slightly below the record level of the previous year. Owing to the good supply situation, stocks are expected to grow by 6% to 484 million tonnes, which should argue against a noticeable increase in grain prices. Initial forecasts for the 2016/17 grain year by the International Grain Council – according to which an above-average grain harvest, and hence a continuing extremely good supply situation, is expected – are also contributing to this. This assessment is based on little or no changes to the growing area for grain and a normalisation of the area yields, which reached a peak level in the previous year.

### Political framework

Apart from developments on the sales and raw materials markets, political will and the corresponding framework are also crucial to the success of renewable energies in the transport sector. At EU level, Parliament and Council agreed to an amendment of the "Renewable Energies Directive" and the "Fuel Quality Directive". The "iLUC Directive" published on 15 September 2015 specifies, among other things, that up to 7% of the 10% of renewable energies in the transport sector planned for 2020 can come from conventional biofuels that have been certified as sustainable. The remaining minimum 3% are to be achieved, on the one hand, by increased support for biofuels from waste materials and residues. On the other hand, the electricity used in rail and road transport will benefit from multiple counting, providing it originates from renewable sources. The new legal framework needs to be implemented by member states within 2 years. In view of this lead time, market observers do not expect to see a significant increase in the blending obligations for bioethanol in 2016. An additional factor is that deliberations about a climate and energy package for 2030 are continuing and are likely to gain in intensity as the year progresses. By the end of 2016, the European Commission is expected to publish a proposal in respect of legal measures for achieving the European climate and energy targets for 2030.



In Germany, the energy-related biofuel quota has been replaced, as of 1 January 2015, by a greenhouse gas reduction quota as part of the decarbonisation strategy, the aim being to bring about a 3.5 wt.-% reduction in greenhouse gas emissions, calculated in terms of overall fuel consumption. From 2017 onwards, this annual reduction target is to rise to 4.0 wt.-% and, from 2020 onwards, to 6.0 wt.-%. The systemic change turned specific greenhouse gas reduction into a crucial competitive characteristic of biofuels in Germany. A blending obligation, according to which petrol must contain 4 vol.-% of bioethanol, currently applies in Belgium. In February 2016, the Belgian government decided to increase this blending obligation to 8.5 vol.-% as of 1 January 2017. The United Kingdom has a blending obligation of 4.75 vol.-%, with biofuels from waste materials and residues being counted double. As these rules do not suffice to meet European targets for the year 2020, increased use of renewable energies is required. Owing to the United Kingdom European Union membership referendum, no adjustments to the political specifications for biofuels are expected before 2017. In France, the use of biofuels is being promoted by energy-based blending obligations, which currently amount to 7% in the petrol sector and 7.7% in the diesel sector. Despite the continuing discussion at EU level about a climate and energy package for 2030, France has already determined that the proportion of renewable energies in the transport sector should rise to 15% by 2030. With regard to decarbonisation of the transport sector, the French government is also focusing on giving energy taxation a more ecological orientation.

### Group performance

In view of lower oil prices, which occasionally prevent recognition of the use and necessity of renewable energy sources, the 2016/17 financial year will be no less challenging than the last few years for the European bioethanol industry. While European bioethanol certified as having been sustainably produced still showed a premium on fossil petrol of around 30 cents a litre towards the end of the last calendar year, a significant decline in prices has since occurred.

CropEnergies initially expects to see low prices for bioethanol in the 2016/17 financial year based on current forward quotations. The plants in Germany, Belgium and France are continuing to be operated with the accustomed high utilisation

rates owing to their specific cost benefits, while production in Wilton remains suspended until further notice. An orientation towards lower-emission fuels and the introduction of E10 in further countries should stimulate demand for bioethanol over the course of the year. This should also contribute to price stabilisation for bioethanol.

Based on these assumptions, the production of bioethanol, food and animal feed products should achieve roughly the level of the 2015/16 financial year. Including the trading business, CropEnergies expects a sales volume for bioethanol of around 1 million m<sup>3</sup>. This results in revenue expectations of between € 625 and € 700 million. Against the background of constant sales volumes and bioethanol prices below those achieved in the good previous year, CropEnergies expects to be able to generate an EBITDA adjusted for special items of between € 65 and € 105 million and to further reduce debt in the 2016/17 financial year. After depreciation, CropEnergies expects to generate an operating profit ranging between € 30 and € 70 million, an expectation that is unchanged from that expressed on 19 November 2015. Apart from this, the company incurs special expenditure of up to € 17 million p.a. during the temporary closure of the bioethanol plant in Wilton.

CropEnergies expects that the resolutions of the Paris climate summit and the EU decisions to increase the proportion of renewable energies in the transport sector will ensure further market growth in the medium term. In particular, increasing the blending rates should result in E10 being introduced in additional member states. As one of the leading producers in Europe and owing to the flexibility and capacity of its plants, CropEnergies is well equipped for the corresponding increase in demand.

SUSTAINABI





# LITY

What are the advantages of bioethanol?

> 60%

## Greenhouse gas savings

The transport sector is one of the largest air polluters and the greenhouse gas emissions have not declined much over the last years. Bioethanol can substitute fossil fuels and saves an average of 60% of the greenhouse gas emissions. We contribute to making the air that we breathe cleaner.



## Made from renewable resources

The raw materials CropEnergies uses to produce its bioethanol – feed grain and wheat – always grow back. Here, in Europe. Fossil fuels, on the other hand, will have been used up at some point. Future generations will have better things to do with their oil than to just burn it. Fuel made by CropEnergies is renewable.



## Replaces fossil fuels

Europe has to import approx. 90% of the oil it needs and thus is dependent on foreign oil suppliers. With bioethanol, Europe becomes more independent of these imports and instead creates jobs and income for itself.



## Climate protection

Europe has a key player in the protection of the climate. The EU has agreed on the target to reduce greenhouse gas emissions by 40% until 2030 and by 80% until 2050. One of the main sources of greenhouse gas emissions is road traffic. Bioethanol saves greenhouse gas emissions in transport and therefore helps slowing further global warming.

## CONSOLIDATED FINANCIAL STATEMENTS

### Statement of comprehensive income

1 March 2015 to 29 February 2016

€ thousands	Note	2015/16	2014/15
<b>Income statement</b>			
<b>Revenues</b>	(6)	<b>722,602</b>	<b>827,165</b>
Change in work in progress and finished goods inventories and internal costs capitalised	(7)	-1,525	-3,080
Other operating income	(8)	5,571	6,945
Cost of materials	(9)	-522,462	-706,658
Personnel expenses	(10)	-39,642	-33,653
Depreciation	(16), (17)	-39,692	-36,410
Other operating expenses	(11)	-56,212	-93,966
Income from companies consolidated at equity	(18)	40	290
<b>Income from operations</b>	(12)	<b>68,680</b>	<b>-39,367</b>
Financial income	(13)	268	1,992
Financial expenses	(13)	-5,985	-5,734
<b>Earnings before income taxes</b>		<b>62,963</b>	<b>-43,109</b>
Taxes on income	(14)	-20,316	-14,934
<b>Net earnings (loss) for the year</b>		<b>42,647</b>	<b>-58,043</b>
<b>Earnings per share, diluted/undiluted (€)</b>	(31)	<b>0.49</b>	<b>-0.67</b>
<b>Table of other comprehensive income</b>			
<b>Net earnings (loss) for the year</b>		<b>42,647</b>	<b>-58,043</b>
Mark-to-market gains and losses*		-6,113	2,174
Foreign currency differences from consolidation		-1,723	3,731
<b>Income and expenses to be reclassified in future in the profit and loss account</b>		<b>-7,836</b>	<b>5,905</b>
Remeasurement of defined benefit plans and similar obligations*		744	-2,821
<b>Income and expenses not to be reclassified in future in the profit and loss account</b>		<b>744</b>	<b>-2,821</b>
<b>Income and expenses recognised in shareholders' equity</b>		<b>-7,092</b>	<b>3,084</b>
<b>Total comprehensive income</b>		<b>35,555</b>	<b>-54,959</b>

\* After deferred taxes





## Cash flow statement

1 March 2015 to 29 February 2016

€ thousands	Note	2015/16	2014/15
Net earnings (loss) for the year		42,647	-58,043
Depreciation and amortisation of intangible assets, property, plant and equipment and other investments	(16), (17)	39,692	36,410
Change in non-current provisions and deferred tax liabilities		3,375	28,908
Other income not affecting cash		1,551	-1,990
Gross cash flow		87,265	5,285
Loss on disposal of non-current assets		643	236
Decrease (-) / Increase (+) in current provisions		-3,341	13,388
Decrease in inventories, receivables and other current assets		7,925	12,481
Increase (+) / Decrease (-) in liabilities (excluding financial liabilities)		9,073	-5,309
Change in working capital		13,657	20,560
<b>I. Net cash flow from operating activities</b>		<b>101,565</b>	<b>26,081</b>
Investments in property, plant and equipment and intangible assets	(16), (17)	-16,831	-31,636
Cash received on disposal of non-current assets		66	152
Investment subsidies received		5	0
<b>II. Cash flow from investing activities</b>		<b>-16,760</b>	<b>-31,484</b>
Dividends paid		0	-8,725
Receipt of financial liabilities		14,053	79,086
Repayment of financial liabilities		-100,483	-67,764
<b>III. Cash flow from financial activities</b>		<b>-86,430</b>	<b>2,597</b>
<b>IV. Change in cash and cash equivalents (total of I., II. and III.)</b>		<b>-1,625</b>	<b>-2,806</b>
Change in cash and cash equivalents due to exchange rate changes		-62	-1,346
<b>Decrease in cash and cash equivalents</b>		<b>-1,687</b>	<b>-4,152</b>
Cash and cash equivalents at the beginning of the year		9,718	13,870
<b>Cash and cash equivalents at the end of the year</b>		<b>8,031</b>	<b>9,718</b>
€ thousands	Note	2015/16	2014/15
Interest expense	(32)	3,629	5,133
Tax payments	(32)	6,288	12,764

Additional comments on the cash flow statement can be found under item (32) of the notes.



## Balance sheet

29 February 2016

### ASSETS

€ thousands	Note	29/02/2016	28/02/2015
Intangible assets	(16)	10,166	10,672
Property, plant and equipment	(17)	442,605	470,155
Shares in companies consolidated at equity	(18)	1,768	1,728
Receivables and other assets	(28)	46	46
Deferred tax assets	(14)	5,203	10,761
<b>Non-current assets</b>		<b>459,788</b>	<b>493,362</b>
Inventories	(19)	56,845	63,631
Trade receivables and other assets	(20), (27), (28)	60,181	74,023
Current tax receivables	(14)	6,631	3,180
Cash and cash equivalents	(25), (26), (28)	8,031	9,718
<b>Current assets</b>		<b>131,688</b>	<b>150,552</b>
<b>Total assets</b>		<b>591,476</b>	<b>643,914</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

€ thousands	Note	29/02/2016	28/02/2015
Subscribed capital		87,250	87,250
Capital reserves		197,847	222,764
Revenue reserves and other equity accounts		82,118	21,646
<b>Shareholders' equity</b>	(21)	<b>367,215</b>	<b>331,660</b>
Provisions for pensions and similar obligations	(22)	19,414	16,291
Other provisions	(23)	11,208	19,310
Non-current financial liabilities	(25), (26), (28)	51,023	99,064
Other liabilities	(28)	359	704
Deferred tax liabilities	(14)	21,031	22,494
<b>Non-current liabilities</b>		<b>103,035</b>	<b>157,863</b>
Other provisions	(23)	14,559	18,558
Current financial liabilities	(25), (26), (28)	22,686	60,802
Trade payables and other liabilities	(24), (27), (28)	65,115	73,858
Current tax liabilities	(14)	18,866	1,173
<b>Current liabilities</b>		<b>121,226</b>	<b>154,391</b>
<b>Total liabilities and shareholders' equity</b>		<b>591,476</b>	<b>643,914</b>



## Development of shareholders' equity

1 March 2015 to 29 February 2016

€ thousands	Subscribed capital	Capital reserves	Revenue reserves and other equity accounts				Total consolidated shareholders' equity
			Revenue reserves	Cash flow hedges	Cumulative foreign currency differences	Total	
<b>1 March 2014</b>	87,250	222,764	85,510	-2,158	1,978	85,330	395,344
<b>Net earnings (loss) for the year</b>			-58,043			-58,043	-58,043
Mark-to-market gains and losses on cash flow hedging instruments*				2,174			
Foreign currency differences from consolidation					3,731		
Remeasurement of defined benefit plans and similar obligations*			-2,821				
<b>Income and expenses recognised in shareholders' equity</b>			-2,821	2,174	3,731	3,084	3,084
<b>Total comprehensive income</b>			-60,864	2,174	3,731	-54,959	-54,959
<b>Dividends paid</b>			-8,725			-8,725	-8,725
<b>28 February 2015</b>	87,250	222,764	15,921	16	5,709	21,646	331,660
<b>1 March 2015</b>	87,250	222,764	15,921	16	5,709	21,646	331,660
<b>Net earnings (loss) for the year</b>			42,647			42,647	42,647
Mark-to-market gains and losses on cash flow hedging instruments*				-6,113			
Foreign currency differences from consolidation					-1,723		
Remeasurement of defined benefit plans and similar obligations*			744				
<b>Income and expenses recognised in shareholders' equity</b>			744	-6,113	-1,723	-7,092	-7,092
<b>Total comprehensive income</b>			43,391	-6,113	-1,723	35,555	35,555
<b>Other changes</b>		-24,917	24,917	0	0	24,917	0
<b>29 February 2016</b>	87,250	197,847	84,229	-6,097	3,986	82,118	367,215

\* After deferred taxes

The changes in shareholders' equity are explained under item (21) of the notes.



## Notes to the consolidated financial statements

### General notes

#### (1) Principles of preparation of the consolidated financial statements

CropEnergies AG has its headquartered office and domicile at Maximilianstraße 10 in 68165 Mannheim, Germany; the company is registered in the commercial register at the district court of Mannheim under the number HR B 700509. Pursuant to § 2 of its articles of association of 19 July 2013, the object of the company is to acquire, hold and administer ownership interests in and establish other undertakings which are engaged, directly or indirectly, in the manufacture and distribution of bioethanol (agricultural alcohol), other biofuels and similar products which are produced from grain or other agricultural raw materials including the manufacture and distribution of co-products. CropEnergies AG is majority-owned by Südzucker AG.

The consolidated financial statements relate to CropEnergies AG and its subsidiaries. CropEnergies has prepared the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applicable in the EU. In addition, account was taken of the requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (HGB). All the IFRSs issued by the IASB valid at the time the present consolidated financial statements were prepared and applied by CropEnergies AG have been adopted by the European Commission for application within the EU.

The consolidated financial statements as of 29 February 2016 were released by the executive board on 25 April 2016 and assigned an unqualified opinion by the independent auditing company PricewaterhouseCoopers Aktiengesellschaft, Frankfurt am Main. The statements will be reviewed by the audit committee on 4 May 2016 and reviewed and approved by the supervisory board at its meeting on 17 May 2016. The publication date is 18 May 2016.

CropEnergies prepares and publishes the consolidated financial statements in euro; unless stated otherwise, all amounts are in thousand euros (€ thousand). The prior-year figures are stated in brackets. Percentages and figures may give rise to rounding differences.

In addition to the statement of comprehensive income, which comprises the income statement and a statement of income and expenses recognised in shareholders' equity, the financial statements include the cash flow statement, the balance sheet and the statement of changes in shareholders' equity. The disclosures in the notes also include a segment report.

In order to improve the clarity of the presentation, various items of the balance sheet and the statement of comprehensive income have been grouped together in summarised form. These items are reported separately and explained in the notes. The income statement, which forms part of the statement of comprehensive income, is prepared on the basis of the nature of expense method.



The consolidated financial statements are generally drawn up on the basis of historical acquisition and production costs unless stated otherwise in item (5) Accounting principles.

**IFRSs and IFRICs adopted for the first time:** IAS 19 (Employee Benefits), the standards amended as part of the 2011–2013 and 2010–2012 annual improvements projects and the adoption of IFRIC 21 (Levies) were mandatory for the first time in the 2015/16 financial year. The amendments had no material impact on the presentation of CropEnergies' assets, liabilities, financial position and profit or loss.

**IFRSs and IFRICs to be adopted in future:** The summary below lists the standards and interpretations which are applicable as from the 2016/17 financial year or later and those that have been published by the IASB, but not yet recognised by the EU. Where the standards have not yet been recognised by the EU, the anticipated adoption date is indicated. CropEnergies has not opted for early adoption of any of the new or revised standards mentioned. The indications in respect of content are based on whether the regulations are relevant to CropEnergies and, if so, in what form; where regulations that apply in future are not relevant to CropEnergies, no indications in respect of content are provided.



Standard / Interpretation		Passed by IASB	Mandatory application for CropEnergies as of financial year	Adopted by the EU	Content and, if relevant, expected impact on CropEnergies
IAS 1	Presentation of Financial Statements (amendment)	18/12/2014	2016/17	18/12/2015	The amendments clarify that information should not be obscured by aggregating and that materiality considerations apply to all parts of the financial statements even if individual standards prescribe minimum disclosures. The relevance of items in the balance sheet and the statement of comprehensive income determines whether they are itemised or combined. All effects from entities consolidated at equity are presented in a separate category in other comprehensive income, irrespective of recyclability. The amendments are part of the initiative for improving disclosure requirements (Disclosure Initiative). The amendments are expected to have an impact on the presentation of the financial statements and the disclosures in the notes.
IAS 7	Statement of Cash Flows (amendment)	29/01/2016	2017/18	no	The amendment aims to extend disclosures of the components of changes in liabilities from financing activities in terms of a statement of reconciliation.
IAS 12	Deferred Taxes (amendment)	19/01/2016	2017/18	no	The amendment is not relevant to CropEnergies.
IAS 16	Property, Plant and Equipment (amendment)	12/05/2014 and 30/06/2014	2016/17	23/11/2015 and 02/12/2015	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IAS 27 (amended 2011)	Separate Financial Statements (amendment)	12/08/2014	2016/17	18/12/2015	The amendment has no impact, as it relates to single-entity statements.
IAS 28 (amended 2011)	Investments in Associates (amendment)	11/09/2014 and 18/12/2014	2016/17	no	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IAS 38	Intangible Assets (amendment)	12/05/2014	2016/17	02/12/2015	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IAS 41	Agriculture (amendment)	30/06/2014	2016/17	23/11/2015	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.





Standard/Interpretation		Passed by IASB	Mandatory application for CropEnergies as of financial year	Adopted by the EU	Content and, if relevant, expected impact on CropEnergies
IFRS 9 (2014)	Financial Instruments	24/07/2014	2018/19	no	The IASB has published the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 (Financial Instruments: Recognition and Measurement). This new version of the Standard adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets. The impairment model is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, where expected credit losses are incorporated into the effective interest rate. The final version amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVTOCI) category for certain debt instruments. Furthermore, it provides additional guidance on how to apply the business model and contractual cash flow characteristics test. The standard supersedes all earlier versions of IFRS 9. The new classification will also result in changes in the way the securities portfolio is measured, and hedge accounting is expected to be extended in the area of derivatives. Furthermore, there is expected to be an increase in disclosure requirements.
IFRS 10	Consolidated Financial Statements (amendment)	11/09/2014 and 18/12/2014	2016/17	no	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IFRS 11	Joint Arrangements (amendment)	06/05/2014	2016/17	24/11/2015	The amendment may have an impact on accounting for future acquisitions of interests.
IFRS 12	Disclosures of Interests in Other Entities (amendment)	18/12/2014	2016/17	no	The amendment is not relevant to CropEnergies.



Standard/Interpretation		Passed by IASB	Mandatory application for CropEnergies as of financial year	Adopted by the EU	Content and, if relevant, expected impact on CropEnergies
IFRS 14	Regulatory Deferral Accounts	30/01/2014	2016/17	no	The standard is not relevant to CropEnergies. Owing to the extremely limited group of users, the European Commission has not recommended the endorsement of the interim standard into EU law.
IFRS 15	Revenue from Contracts with Customers	28/05/2014	2018/19	no	IFRS 15 establishes the principles that an entity needs to apply when reporting on the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In particular, it draws up criteria according to which performance obligations in a contract are to be regarded as distinct. CropEnergies does not expect the application to have any impact on the time of revenue recognition, but expects it to involve extended disclosure requirements.
IFRS 16	Leases	13/01/2016	2019/20	no	IFRS 16 provides new specifications on how to recognise, measure and present leases. In future, there will be only one lessee accounting model, requiring the lessee to present the right of use as an asset and the obligation as a liability in the balance sheet. There is a capitalisation option for low-value assets and for short-term leases with a term of less than 12 months. CropEnergies is examining the extent to which IFRS 16 is relevant to existing rental agreements and how to measure the value in use and the corresponding liability in the case of individual contracts or contract groups. Once this process has been completed, it will be possible to assess the impact on assets, liabilities and financial position. CropEnergies does not act as a lessor.
Miscellaneous	Annual Improvements Project 2012 – 2014	25/09/2014	2016/17	15/12/2015	The amendments are not expected to have any material impact on the presentation of assets, liabilities, financial position and profit or loss.



## (2) Consolidated companies

The separate financial statements of CropEnergies AG and the entities which it controls (subsidiary companies) are included in the consolidated financial statements according to the principles of full consolidation. Control is deemed to be given if the company has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Accordingly, the following subsidiary companies are consolidated:

- CropEnergies Bioethanol GmbH, Zeitz\*
- CropEnergies Beteiligungs GmbH, Mannheim\*
- BioWanze SA, Brussels (Belgium)
- Ryssen Alcools SAS, Loon-Plage (France)
- Compagnie Financière de l'Artois SA, Paris (France)
- Ensus Ltd, Yarm (United Kingdom)
- Ensus UK Ltd, Yarm (United Kingdom)
- Ryssen Chile SpA, Lampa, Santiago de Chile (Chile)
- CropEnergies Inc., Houston (USA)

Ensus Ltd, a British holding company with no production facilities of its own, was dissolved as of 1 March 2016.

For a detailed presentation of the equity interests, please refer to the list of subsidiaries and equity interests on page 130.

The joint venture

- CT Biocarbonic GmbH, Zeitz,

in which CropEnergies has a 50% interest and which is under joint management, was consolidated at equity in the consolidated financial statements. CT Biocarbonic GmbH's contribution to earnings is thereby included only in earnings from entities consolidated at equity. The contributions from entities consolidated at equity increase or decline annually by the share of earnings from CT Biocarbonic GmbH:

€ thousands	29/02/2016	28/02/2015
Non-current assets	8,983	9,565
<i>Inventories</i>	74	40
<i>Receivables and other assets</i>	337	329
<i>Cash and cash equivalents</i>	231	339
Current assets	642	708
<b>Total assets</b>	<b>9,625</b>	<b>10,273</b>
<b>Shareholders' equity</b>	<b>3,536</b>	<b>3,456</b>
Non-current liabilities	3,058	3,770
Current liabilities	3,031	3,047
<b>Total liabilities</b>	<b>6,089</b>	<b>6,817</b>
Income	2,940	3,457
- Expenses	-2,860	-2,877
= Net earnings for the year	80	580

\* Exemption from the duty to disclose pursuant to § 264 (3) HGB



CT Biocarbonic GmbH is a strategic joint venture established for the production and sale of food-grade liquefied CO<sub>2</sub>. The book value of the shares of CT Biocarbonic GmbH amounts to € 1.8 (1.7) million. This corresponds to half of the CT Biocarbonic GmbH equity, respectively.

### **(3) Consolidation methods**

According to IFRS, all business combinations are to be accounted for using the purchase method. The purchase price for the acquired subsidiary company is allocated to the assets acquired and the liabilities and contingent liabilities assumed. The relevant basis is the values at the time at which the power to control the subsidiary company can be obtained. The eligible assets and the liabilities and contingent liabilities assumed are recognised fully at their fair values irrespective of ownership interest. Intangible assets are required to be reported separately from goodwill if they are separable from the entity and result from a contractual or other right. Remaining differences are capitalised as goodwill.

In accordance with IFRS 3 (Business Combinations), goodwill is no longer amortised over its anticipated useful life but is tested for impairment at least once a year (impairment-only approach).

The investment in CT Biocarbonic GmbH has been included in the consolidated financial statements using the equity method as of its date of acquisition or when the conditions for the application of IFRS 11 (Joint Arrangements) or IAS 28 (Investments in Associates) were satisfied. CT Biocarbonic GmbH is an investment over which significant influence can be exercised as a result of ownership of 50% of the voting rights. The company is initially recognised at cost and subsequently according to the amortised interest in net assets. This increases or decreases the carrying amounts annually by the share in profit or loss, dividend distributions and other changes in shareholders' equity. Investments accounted for using the equity method are written down if the recoverable amount falls below the carrying amount.

Intercompany sales, expenses and income as well as all receivables and liabilities or provisions between the consolidated companies are eliminated. Intercompany gains or losses are eliminated from fixed assets and inventories from intra-group supplies.

### **(4) Currency translation**

Transactions in foreign currency are translated into the functional currency (the currency of the primary economic environment in which the entity operates) at the rates of exchange at the time of the transaction. Currency gains and losses arising from the settlement of such transactions as well as from the translation, at the closing rate, of monetary assets and liabilities are recognised in the income statement.

The annual financial statements of CropEnergies Inc., Houston, are prepared in US dollars (USD), those of Ensus Ltd and Ensus UK Ltd, Yarm, in British pounds (GBP) and those of Ryssen Chile SpA, Lampa, Santiago de Chile, in Chilean pesos (CLP). As CropEnergies reports in euro (the parent company's functional currency), the assets and liabilities are translated at ECB reference rates or other published reference rates on the reporting date (closing rate). In the case of foreign exchange gains and losses resulting from the measurement of receivables and liabilities in connection with group funding operations, translation is at the average rate of exchange. However, if application of the average rate of exchange for the year produces untrue results, translation takes place at an adjusted average rate of exchange. The other expenses and income are reported at the average rate of exchange for the year.



The movement in the exchange rates of the currencies on which the currency translation is based was as follows (equivalent value for € 1):

1 € = Local currency					
Country	Currency code	Year-end rate 29/02/2016	Average rate 2015/16	Year-end rate 28/02/2015	Average rate 2014/15
Chile	CLP	754.45	737.20	692.59	752.09
Great Britain	GBP	0.79	0.73	0.73	0.79
USA	USD	1.09	1.10	1.12	1.29

Year-over-year differences arising from the currency translation of assets and liabilities and translation differences between the balance sheet and the income statement are not recognised through profit or loss, but are reported in the statement of comprehensive income separately as consolidation-related currency differences under income and expenses recognised in shareholders' equity.

Intra-group loans for long-term financing of subsidiaries primarily represent a part of net investment in these foreign operations; the resulting currency translation differences from the reference date valuation are recognised directly in shareholders' equity and reported in the statement of comprehensive income as a component of income and expenses recognised in shareholders' equity in the item "Currency differences".

#### (5) Accounting principles

In preparing the consolidated financial statements of the group companies, the relevant accounting and valuation principles under IFRS must be applied uniformly to like transactions and other events in similar circumstances. Accounting and valuation principles are explained only if the relevant standards make provision for options in respect of accounting and valuation or if the principles are further specified. In particular, there is no repetition of the texts of the respective standards or reproduction of basic rules.

Acquired goodwill is reported under **intangible assets**. Goodwill and intangible assets with an indefinite useful life are not amortised as scheduled, but are subjected to an impairment test once every year and if there are indications of impairment (impairment-only approach). The procedure for this impairment test is presented in the balance sheet disclosures.

**Property, plant and equipment** is measured at acquisition or production cost, less straight-line depreciation and impairment. In the year of acquisition, the asset values of property, plant and equipment are written down on a pro rata temporis basis. Government grants and subsidies are deducted from acquisition cost.



Property, plant and equipment and intangible assets with a finite useful life are depreciated as scheduled on the basis of the following expected useful lives:

	Expected useful lives
Intangible assets	3 to 5 years
Buildings	10 to 25 years
Technical plant and machinery	5 to 15 years
Office furniture and equipment	3 to 10 years

**Inventories** are measured at acquisition or production cost and, in the case of food and animal feed products, at net realisable value. The average cost method or the FIFO method (first in – first out) is applied, as this corresponds to the actual order in which they are consumed. Production cost includes the production-related full costs measured on the basis of normal capacity. Specifically, production cost includes the direct costs as well as fixed and variable production overheads (material and manufacturing overhead costs) including depreciation on production facilities. Included in particular are the costs incurred at the specific production cost centres. Financing costs are not included. If necessary, the lower realisable net selling value less costs still to be incurred (net realisable value) is applied. This net realisable value is the estimated revenues realisable in the normal course of business from the sale of the product less the variable selling costs required to sell it. Write-downs on work in progress and finished goods are reported under the item "Change in inventories". Write-downs are reversed if and to the extent that the net realisable value of the previously impaired inventories increases.

**Trade receivables and other financial assets** are measured at their market value plus transaction costs at the time of accrual and subsequently at amortised acquisition cost on the basis of the effective interest method. Adequate specific valuation allowances are recognised on separate impairment accounts for default and other risks associated with the receivables. The nominal values less necessary valuation allowances thereby correspond to the fair values. Unrecoverable receivables are derecognised on a case-by-case basis.

**CO<sub>2</sub> emissions rights** are recognised in accordance with IAS 38 (Intangible Assets), IAS 20 (Government Grants) and IAS 37 (Provisions). CO<sub>2</sub> emissions rights allocated or acquired at no charge for each calendar year are intangible assets, which are classified as other current assets. They are measured at acquisition cost, which is zero in the case of emission rights that are allocated at no cost.

If actual emissions exceed the allocated certificates, a provision for CO<sub>2</sub> emissions is recognised and expensed. The provision is measured on the basis of the acquisition cost of purchased certificates or the market value of emission certificates on the respective measurement date.

In the case of defined-benefit pension plans, the **provisions for pensions and similar obligations** are measured on the basis of the projected unit credit method according to IAS 19 (Employee Benefits). This method not only incorporates the pension benefits and the accumulated future pension benefits known as of the reporting date, but also takes account of future salary and pension adjustments. The calculation is based on actuarial valuations taking biometric data into account.





Payments for defined-contribution pension plans are expensed as they fall due and are reported under personnel expenses. Payments for state pension plans are accounted for in the same way as the payments for defined-contribution pension plans. The group has no other payment obligations beyond the payment of the contributions.

Reported **income taxes** comprise taxes levied on taxable income in the individual countries and changes to deferred tax assets and liabilities. Current income taxes are reported as the amount of tax expected to be paid or reimbursed based on the statutory provisions that are applicable or have been adopted on the reporting date. Initial and subsequent measurement takes place completely in the tax expense. The income tax liabilities from the past financial year are reported under current tax liabilities and receivables from advance payments under current tax assets. Non-current tax liabilities mainly comprise income tax for prior-year periods that have not yet been conclusively audited. The unwinding of the discount of tax liabilities is recognised in the income statement in the item "Taxes on income". Tax items that may still change, due, for example, to tax audits, have been estimated on the basis of the expected tax payment or refund.

**Deferred taxes** are calculated on temporary differences in the values of assets and liabilities between IFRS and the tax accounting as well as on loss carry-forwards to the extent that they can be used for tax purposes. Deferred tax assets and deferred tax liabilities are reported as separate items. Deferred tax claims are set off against deferred tax obligations if the income taxes are levied by the same tax authority and there is a legally enforceable right to set-off. A resulting excess of deferred tax assets is recognised only to the extent that taxable income is likely to be available, against which deferred taxes can be offset. Assessment of the recoverability of deferred tax assets is subject to company-specific forecasts about, among other things, the future earnings situation of the group company in question.

Deferred tax liabilities that arise as a result of temporary differences in connection with investments in subsidiaries and entities consolidated at equity are recognised unless the timing of the reversal of the temporary differences can be controlled by the group and the temporary differences are unlikely to reverse as a result of this controlling influence within the foreseeable future.

Deferred taxes were calculated in accordance with IAS 12 (Income Taxes), taking into account the respective national income tax rates that are applicable or have been substantially enacted as of the balance sheet date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability settled. Deferred tax assets and liabilities associated with income and expenses recognised in shareholders' equity are treated identically.

**Trade payables and other financial liabilities** are recognised, on initial measurement, at their market value less transaction costs and subsequently at amortised acquisition cost on the basis of the effective interest method.

**Financial assets** are subdivided into the following categories: a) "financial assets measured at fair value through profit or loss" and b) "loans and receivables". **Financial liabilities** are classified upon initial recognition in the categories: a) "liabilities at amortised cost" and b) "financial liabilities recognised at fair value through profit or loss".

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets upon their initial recognition and reviews the classification at each reporting date. Similarly to the procedure for financial assets, the classification of financial liabilities also depends on their respective purpose.



**Derivative financial instruments** are recognised as assets or liabilities and, irrespective of their purpose, measured at fair value. Changes in this value are recognised through profit or loss unless there is a hedging relationship between the derivative financial instruments and the hedged item. In this case, recognition of changes in the fair value depends on the type of hedging relationship. Derivatives held for trading are used to hedge recognised assets or liabilities against the risk of a change in fair value. In the case of derivatives held for trading, changes in the fair values of both hedging transactions and the corresponding hedged items are recognised in the income statement. If the hedged items and hedges are already measured as primary instruments at their fair values, the application of the special rules for fair value hedge accounting can be waived to achieve the fair value hedge.

Cash flow hedge derivatives are used to hedge the risk of fluctuation in the future cash flows associated with a recognised asset, a reported debt or a planned transaction that has a high probability of occurring. If a cash flow hedge derivative exists, the unrealised gains and losses of the hedging transaction are initially recognised under other equity accounts. They are not included in the income statement until the hedged item is recognised through profit or loss. If the transactions lead to the recognition of non-financial assets or liabilities, e.g. for the acquisition of property, plant and equipment, the amounts recognised directly in equity are offset against the initial recognition of the carrying amount of the asset or liability.

**Revenues** comprise the fair value of the consideration received or to be received for the sale of products and merchandise in the ordinary course of business. Revenues are reported without rebates and discounts, without turnover tax and after eliminating intra-group sales. Revenues are recognised when the delivery or service owed has been performed and transfer of the material opportunities and risks has taken place.

**Discretionary decisions** have to be taken when applying the accounting policies. This applies especially with regard to the following issues: A decision needs to be made as to whether to treat certain contracts as derivatives or to account for them as so-called in-house consumption contracts from executory contracts.

The preparation of the consolidated financial statements according to IFRS requires **assumptions** and **estimations** to be made. These assessments by management can affect the value of the assets and liabilities reported as well as income and expenses, and the recognition of contingent liabilities.

In the case of provisions for pensions and similar obligations, the discount rate assumed is also an important variable. The discount rate for pension obligations is determined on the basis of the yields of prime fixed-rate industrial bonds observable on the financial markets as of the reporting date. Analytically derived assumptions are also made about pensionable age, life expectancy, staff turnover, and future salary and pension increases. With regard to the impact of changes to individual actuarial assumptions on the amount of defined-benefit pension obligations, reference is made to the disclosures on the sensitivity analysis under item (22) "Provisions for pensions and similar obligations". Assumptions and estimations also relate to the recognition and measurement of other provisions.

The assessment of goodwill impairments and the production plant in Wilton is based on cash flow forecasts for the next five years and the application of a discount rate that is adjusted to the industry and the company-specific risk.



The prices for ethanol, grain as well as food and animal feed products are key influencing factors in the CropEnergies Group's planning, with the prices for ethanol and grain being particularly volatile.

Also the determination of the useful lives of depreciable fixed assets and the net realisable value of inventories based on estimations.

Deferred tax assets are recognised if future tax benefits are likely to be realised. The actual taxable earnings situation in subsequent periods, and hence the actual extent to which deferred tax assets can be utilised, may differ from the assessment at the time the deferred taxes were capitalised. Income taxes may be subject to uncertainties with regard to the probability and amount of the expected tax payment or refund. This requires the company to make an estimation. The planning horizon generally amounts to 5 years.

Further details on the assumptions and estimations underlying these consolidated financial statements can be found in the notes on the individual items of the financial statements.

All assumptions and estimations are based on the circumstances and assessments on the balance sheet date. The assessment of probable business development also took account of assumptions regarding the group's future operating environment that were considered realistic at that time. Should the framework conditions change contrary to the assumptions made, the actual amounts may differ from the estimates. If this is the case, the assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted.

## Notes on the income statement

### (6) Revenues

€ thousands	2015/16	2014/15
Bioethanol, food and animal feed products	713,328	817,860
Other revenues	9,274	9,305
	<b>722,602</b>	<b>827,165</b>

Revenues for bioethanol, food and animal feed products, at € 713.3 (817.9) million, lagged behind the previous year's level, mainly due to the temporary closure of the plant in Wilton. However, the lower production and sales volumes of bioethanol as well as food and animal feed products and the reduced trade volumes were offset by significantly higher revenues for bioethanol. Revenues for food and animal feed products also rose slightly.

Other revenues mainly relate to revenues from the sale of energy.



**(7) Change in inventories and other capitalised internal costs**

This item includes internal costs capitalised amounting to € 98 (93) thousand.

**(8) Other operating income**

The other operating income of € 5.6 (6.9) million mostly comprises currency gains of € 2.1 (1.2) million, sales commission and recharged logistics costs of € 1.7 (1.2) million as well as payments in respect of insurance claims, claims for damages and compensation of € 0.6 (2.7) million.

**(9) Cost of materials**

€ thousands	2015/16	2014/15
Cost of raw materials, consumables and supplies and of purchased merchandise	506,966	685,695
Cost of purchased services	15,496	20,963
	<b>522,462</b>	<b>706,658</b>

The cost of materials decreased compared with the previous year, due to the 21% decline in bioethanol production to 837,000 (1,056,000) m<sup>3</sup> and due to the reduction in prices for raw materials to € 522.5 (706.7) million. In conjunction with higher selling prices obtained for food and animal feed products, net raw material costs fell significantly. As sales prices increased and there was a drop in material costs, the materials expense ratio (as a percentage of overall performance) improved to 72.5% (85.8%).



**(10) Personnel expenses**

€ thousands	2015/16	2014/15
Wages and salaries	28,394	25,088
Social security, pension and welfare expenses	11,248	8,565
	<b>39,642</b>	<b>33,653</b>

**Annual average number of employees (full-time equivalents)**

	2015/16	2014/15
Number of employees by region		
Germany	160	158
Other European countries	256	270
Other countries	7	7
	<b>423</b>	<b>435</b>
Number of employees by category		
Wages earners	204	210
Salary earners	219	225
	<b>423</b>	<b>435</b>

Since the 2015/16 financial year, the number of employees has been indicated in terms of full-time equivalents based on the yearly average. The previous year has been restated accordingly. The number of employees (full-time equivalents) employed as of 29 February 2016 stood at 416 (432).

Personnel expenses increased to € 39.6 (33.7) million. The increase is influenced by actuarial gains and losses for pension provisions, age-related succession plans at foreign subsidiary companies, changes to the structure of the executive board and higher earnings-related salary entitlements. The personnel expense ratio (as a percentage of overall performance) increased to 5.5% (4.1%).



**(11) Other operating expenses**

€ thousands	2015/16	2014/15
Selling and advertising expenses	24,602	32,119
Operating and administrative expenses	13,419	15,833
Other expenses	18,191	46,014
	<b>56,212</b>	<b>93,966</b>

Selling and advertising expenses declined to € 24.6 (32.1) million and mainly consisted of logistics costs for supplying customers. Operating and administrative costs were reduced to € 13.4 (15.8) million.

The other expenses mainly comprise the cost of shared services provided by the Südzucker Group of € 6.2 (6.7) million, other taxes of € 2.5 (2.0) million, currency losses of € 1.8 (0.8), rental and leasing expenses of € 1.4 (1.6) million and logistics costs of € 0.8 (0.8) million. Furthermore, one-off costs of € 25.7 million were incurred from the temporary closure of the production plant in Wilton in the previous year.

**(12) Income from operations**

€ thousands	2015/16	2014/15
<b>Income from operations</b>	<b>68,680</b>	<b>-39,367</b>
of which operating profit	86,695	-11,233
of which restructuring costs and special items	-18,055	-28,424
of which income from companies consolidated at equity	40	290

Income from operations, amounting to € 68.7 (-39.4) million, comprises operating profit, net restructuring costs and special items, as well as earnings from entities consolidated at equity. From the result of restructuring and special items, the temporarily closed production plant in Wilton and a no longer operational machine at another site accounted for € 17.1 million and € 1.0 million, respectively.

The operating margin increased significantly to 12.0% (-1.4%) of revenues.





### (13) Financial income and expenses

€ thousands	2015/16	2014/15
Interest income	54	64
Other financial income	214	1,928
<b>Financial income</b>	<b>268</b>	<b>1,992</b>
Interest expense	-3,950	-5,278
Other financial expense	-2,035	-456
<b>Financial expense</b>	<b>-5,985</b>	<b>-5,734</b>
<b>Net financial result</b>	<b>-5,717</b>	<b>-3,742</b>

In spite of a lower debt level, the net financial result declined by € 2.0 million year over year to € -5.7 million, mainly due to currency losses from the inclusion of foreign subsidiaries. The net financial result includes interest expense of € 0.4 (0.4) million from compounding the provisions for pensions and similar obligations.

### (14) Taxes on income

As in the previous year, applying the statutory income tax rate of the parent company, CropEnergies AG, and the German corporate income tax rate of 15.0% plus the solidarity surcharge of 5.5% and municipal trade tax, a theoretical tax rate of 29.93% is derived for the 2015/16 financial year.

€ thousands	2015/16	2014/15
Earnings before taxes on income	62,963	-43,109
Theoretical tax rate	29.93%	29.93%
<b>Theoretical tax expense</b>	<b>18,845</b>	<b>-12,903</b>
Change in theoretical tax expense as a result of:		
Foreign tax rate differentials	-1,108	-1,541
Different tax rates	3,462	5,161
Tax reduction for tax-free income	-771	-786
Tax increase for non-deductible expenses	1,479	958
Trade tax adjustment	78	121
Taxes for prior years	-1,005	0
Tax effects from loss carry-forwards and temporary differences	-976	23,721
Other	312	203
<b>Taxes on income</b>	<b>20,316</b>	<b>14,934</b>
<b>Effective tax rate</b>	<b>32%</b>	



The tax effects from recognising loss carry-forwards and temporary differences amounting to € -1.0 (23.7) million result from a re-assessment of deferred tax assets in Belgium and a counteracting effect from unrecognised deferred tax assets on ongoing losses at Ensus.

The effects of deviating foreign tax regulations result, as in the previous year, from specific Belgian tax rules.

The positive effect from current taxes from previous years mainly relates to realised tax benefits from partial use of the loss carry-forwards in respect of Ensus.

No deferred tax liabilities were recognised on temporary differences in connection with shares in subsidiaries of € 0.1 (0.2) million, as the timing of the reversal of the temporary differences can be determined by CropEnergies, and CropEnergies is also unlikely to initiate this reversal in the foreseeable future.

Taxes on income in the 2015/16 financial year consist of current tax expenses of € 13.7 (3.2) million and deferred tax expenses of € 6.6 (11.7) million.

The deferred taxes result from the individual balance sheet items as follows:

€ thousands	Deferred tax assets		Deferred tax liabilities	
29/28 February	2016	2015	2016	2015
Property, plant and equipment	885	719	24,738	28,400
Inventories	21	207	201	0
Other assets	439	0	64	231
Tax-free reserves	0	0	943	989
Provisions	3,233	3,756	436	1,097
Liabilities	1,641	1,446	861	0
Tax loss carry-forwards	5,196	12,856	0	0
	11,415	18,984	27,243	30,717
Offsets	-6,212	-8,223	-6,212	-8,223
<b>Balance sheet</b>	<b>5,203</b>	<b>10,761</b>	<b>21,031</b>	<b>22,494</b>

Of the deferred tax assets amounting to € 11.4 (19.0) million before netting, € 9.9 (17.3) million are non-current. Of the deferred tax liabilities amounting to € 27.2 (30.7) million before netting, € 25.7 (29.4) million are non-current.



Deferred taxes were not recognised for loss carry-forwards and temporary differences amounting to € 78.2 (79.9) million. Of the loss carry-forwards, an estimated € 3.2 (6.5) million will expire within 7 years; € 75.0 (73.4) million are usable without temporal restriction. In addition, deferred taxes recognised directly in equity resulted from the mark-to-market valuation of hedging transactions and from the remeasurement of defined-benefit pension commitments and similar obligations as follows:

€ thousands	2015/16			2014/15		
	Before tax effects	Tax effects	After tax effects	Before tax effects	Tax effects	After tax effects
<b>Income and expenses to be reclassified in future in the profit and loss account</b>						
Mark-to-market gains and losses	-8,989	2,876	-6,113	3,194	-1,020	2,174
Foreign currency differences from consolidation	-1,723	0	-1,723	3,731	0	3,731
	<b>-10,712</b>	<b>2,876</b>	<b>-7,836</b>	<b>6,925</b>	<b>-1,020</b>	<b>5,905</b>
<b>Income and expenses not to be reclassified in future in the profit and loss account</b>						
Remeasurement of defined benefit plans and similar obligations	1,086	-342	744	-4,041	1,220	-2,821
	<b>-9,626</b>	<b>2,534</b>	<b>-7,092</b>	<b>2,884</b>	<b>200</b>	<b>3,084</b>
Net earnings (loss) for the year			42,647			-58,043
<b>Total comprehensive income</b>			<b>35,555</b>			<b>-54,959</b>

€ 5.7 million of the tax assets amounting to € 6.6 million relate to German companies and € 0.9 million to French companies. Tax liabilities amount to € 18.9 million, € 17.8 million of which stem from the German companies and € 1.1 million from the French companies.

#### (15) Research and development costs

The focus of the research and development activities carried out by the CropEnergies Group was on technological support for processes in existing production facilities, their optimisation and further improvements in food and animal feed products. In addition, a contribution was made to the shaping of standards, new concepts for the production of bioethanol were developed and analytical methods for producing neutral alcohol implemented.

Research and development costs amounted to € 1.6 (2.1) million. These costs were fully expensed in the income statement in the year in which they were incurred and were recognised as other operating expenses. Development costs for new products were not capitalised.



## Notes on the balance sheet

### (16) Intangible assets

The goodwill resulting from the first-time consolidation of acquisitions reported under intangible assets is not amortised as scheduled. Concessions, industrial and similar rights mainly consist of acquired software that has a finite useful life.

2015/16			
€ thousands	Goodwill	Concessions, industrial and similar rights	Total
<b>Acquisition costs</b>			
1 March 2015	5,595	8,976	14,571
Change due to currency translation	0	-85	-85
Additions	0	76	76
Transfers	0	245	245
29 February 2016	5,595	9,212	14,807
<b>Depreciation</b>			
1 March 2015	0	-3,899	-3,899
Change due to currency translation	0	30	30
Depreciation for the year	0	-772	-772
Disposals	0	0	0
29 February 2016	0	-4,641	-4,641
<b>Net book value at 29 February 2016</b>	<b>5,595</b>	<b>4,571</b>	<b>10,166</b>

2014/15			
€ thousands	Goodwill	Concessions, industrial and similar rights	Total
<b>Acquisition costs</b>			
1 March 2014	5,595	8,373	13,968
Change due to currency translation	0	122	122
Additions	0	481	481
28 February 2015	5,595	8,976	14,571
<b>Depreciation</b>			
1 March 2014	0	-3,114	-3,114
Change due to currency translation	0	-27	-27
Depreciation for the year	0	-762	-762
Disposals	0	4	4
28 February 2015	0	-3,899	-3,899
<b>Net book value at 28 February 2015</b>	<b>5,595</b>	<b>5,077</b>	<b>10,672</b>



When carrying out impairment tests, goodwill must be allocated to cash-generating units (CGUs) or groups of cash-generating units. As part of impairment tests, the corresponding book values of the CGUs are regularly compared with their value in use (guiding value concept at CropEnergies) in order to identify a possible impairment.

CropEnergies has defined its CGUs in accordance with internal reporting. In the CropEnergies Group, the only CGU bearing goodwill is Ryssen France (including the companies Ryssen und COFA). The goodwill amounts to € 5.6 (5.6) million.

To determine the recoverable amount, CropEnergies first calculates the value in use. The value in use is the present value of the future cash flows that can probably be produced from a cash-generating unit. The value in use is determined on the basis of a going concern valuation model (discounted cash flow method). Cash flow forecasts based on the 5-year planning approved by the executive board or passed by the supervisory board and valid at the time of conducting the impairment test are used for this purpose. The planning is based on experience as well as expectations regarding future market developments. The prices for ethanol, grain as well as food and animal feed products are key influencing factors in the CropEnergies Group's planning, with the prices for ethanol and grain being particularly volatile.

The 5-year planning takes account of economic data of a general nature and is based on the expected development of the macroeconomic framework data derived from external economic and financial studies. In addition, country-specific assumptions are made especially regarding the development of the gross domestic product, consumer prices and nominal wages.

The cost of capital has to be calculated as the weighted average of the cost of equity and the cost of debt based on their respective shares of the total capital. The cost of equity corresponds to the return expectations of the CropEnergies shareholders. The cost of debt that is applied reflects the company's current financing terms. On 29 and 28 February, the discount rate derived from the CropEnergies Group's cost of capital was 8.1% (8.1%) before taxes and 6.1% (6.1%) after taxes.

For the extrapolation of cash flows beyond the planning period in the CGU, CropEnergies uses a constant growth rate of 1.5% (1.5%). This growth rate for discounting the perpetuity is below the growth rate calculated in the detailed planning period and serves largely to compensate a general inflation rate. The cash flows are calculated less the capital expenditures required to achieve the assumed corporate development. These reinvestment rates are based on past experience regarding the need for replacement purchases of property, plant and equipment.

In the 2015/16 financial year, no write-downs of goodwill were necessary in the light of the annual impairment test or other circumstances, as the value in use of the CGUs was above book value. Even if the discount rate (after taxes) had been 1.5 percentage points higher, no write-downs of goodwill would have been necessary. Ryssen processes and trades in alcohol; in this respect, fluctuating ethanol prices have a similar effect on both revenues and material costs and hence only a limited effect on the company's operating profit. Even if the operating profit of Ryssen were to halve in the long term, no write-downs of goodwill would be necessary.

The goodwill impairment test is based on forward-looking assumptions. Judging from today's vantage point, changes in the assumptions (mainly market prices for raw materials and end products and the capital cost) cannot cause the book values of the CGUs to exceed their recoverable amount (value in use) so that they would need to be adjusted in the following financial year. To date, fluctuations of market prices for raw materials and end products in this order of magnitude have been neither observable nor probable in empirical terms.



**(17) Property, plant and equipment**

2015/16	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
€ thousands					
<b>Acquisition costs</b>					
1 March 2015	138,889	517,830	20,288	8,262	685,269
Change due to currency translation	-534	-4,537	-29	-42	-5,142
Additions	2,633	11,635	652	1,835	16,755
Transfers	3,521	2,544	3	-6,313	-245
Disposals	-75	-993	-561	0	-1,629
29 February 2016	144,434	526,479	20,353	3,742	695,008
<b>Depreciation</b>					
1 March 2015	-29,918	-176,250	-8,946	0	-215,114
Change due to currency translation	7	697	12	0	716
Depreciation for the year	-4,804	-31,463	-1,669	0	-37,936
Impairment losses	0	-984	0	0	-984
Disposals	38	395	482	0	915
29 February 2016	-34,677	-207,605	-10,121	0	-252,403
<b>Net book value at 29 February 2016</b>	<b>109,757</b>	<b>318,874</b>	<b>10,232</b>	<b>3,742</b>	<b>442,605</b>

2014/15	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
€ thousands					
<b>Acquisition costs</b>					
1 March 2014	133,788	486,171	19,252	7,404	646,615
Change due to currency translation	766	7,187	33	101	8,087
Additions	4,078	18,406	1,321	7,611	31,416
Transfers	257	6,532	49	-6,854	-16
Disposals	0	-466	-367	0	-833
28 February 2015	138,889	517,830	20,288	8,262	685,269
<b>Depreciation</b>					
1 March 2014	-25,295	-146,546	-7,514	0	-179,355
Change due to currency translation	-6	-554	-7	0	-567
Depreciation for the year	-4,617	-29,404	-1,627	0	-35,648
Disposals	0	254	202	0	456
28 February 2015	-29,918	-176,250	-8,946	0	-215,114
<b>Net book value at 28 February 2015</b>	<b>108,971</b>	<b>341,580</b>	<b>11,342</b>	<b>8,262</b>	<b>470,155</b>





An impairment amounting to 1.0 (0.0) concerns the devaluation of a machine to the value in use.

The additions in the 2015/16 financial year include investment subsidies of € 5 (0) thousand, which reduced the acquisition cost.

The item "Assets under construction" does not include any borrowing costs to be capitalised in accordance with IAS 23.

#### (18) Shares in companies consolidated at equity

2015/16	companies consolidated at equity
€ thousands	
1 March 2015	1,728
Share of profits	40
29 February 2016	1,768
2014/15	companies consolidated at equity
€ thousands	
1 March 2014	1,438
Share of profits	290
28 February 2015	1,728

The contributions from entities consolidated at equity increase by the share of earnings from CT Biocarbonic GmbH.

#### (19) Inventories

€ thousands	29/02/2016	28/02/2015
Raw materials and supplies	15,027	17,586
Work in progress	3,254	2,664
Finished goods and merchandise	38,564	43,381
	56,845	63,631

There was a volume-related reduction of € 6.8 million in inventories to € 56.8 million. No impairments resulted in the current financial year.

#### (20) Trade receivables and other assets

€ thousands	29/02/2016	28/02/2015
Trade receivables	39,533	59,833
Other assets	20,648	14,190
	60,181	74,023



Trade receivables and other assets declined by € 20.3 million to € 39.5 million. Their book value is derived as follows:

€ thousands	29/02/2016	28/02/2015
Total trade receivables	39,955	60,353
Allowance for doubtful receivables	-422	-520
<b>Book value</b>	<b>39,533</b>	<b>59,833</b>

The valuation allowances for trade receivables have developed as follows:

€ thousands	2015/16	2014/15
<b>Allowance for doubtful receivables at 1 March</b>	<b>520</b>	<b>103</b>
Additions	334	426
Utilised	-408	-9
Released	-24	0
<b>Allowance for doubtful receivables at 29/28 February</b>	<b>422</b>	<b>520</b>

The following table gives details of the maturity structure of the outstanding trade receivables:

€ thousands	29/02/2016	28/02/2015
Receivables not yet due and not doubtful	36,551	53,330
Past due receivables, but not doubtful		
less than 10 days	1,768	4,116
between 11 and 30 days	548	1,742
between 31 and 90 days	540	505
more than 90 days	126	140
Book value	39,533	59,833
Valuation allowances for doubtful receivables	422	520
<b>Total trade receivables</b>	<b>39,955</b>	<b>60,353</b>

In the case of the trade receivables that are not doubtful and not yet due, there are no indications that the debtors cannot meet their payment obligations.



Other assets, amounting to € 20.6 (14.2) million, mainly consist of financial assets of € 0.2 (0.7) million in the form of positive mark-to-market values of derivative hedging instruments and other receivables of € 3.0 (2.8) million as well as non-financial assets in the form of VAT receivables of € 7.9 (5.4) million, receivables in respect of advance payments and investment subsidies of € 2.3 (3.6) million and purchased CO<sub>2</sub> emission rights of € 1.1 (1.7) million.

### **(21) Shareholders' equity**

CropEnergies AG's share capital is unchanged at € 87,250,000. It is divided into 87,250,000 no-par-value bearer shares, each representing a proportional amount of € 1.00 of the share capital. The share capital is fully paid in.

The capital reserve is € 197.8 (222.8) million as of the balance sheet date and has declined due to the withdrawal to cover the previous year's loss under German commercial law. The capital reserve includes the share premium from the issue of shares.

The revenue reserves and other equity accounts consist of the retained net earnings for the year, the changes in cash flow hedges, pensions and similar obligations recognised directly in equity, and consolidation-related currency translation effects. The cash flow hedges include the changes in the mark-to-market values – including deferred taxes – of wheat and currency derivatives including accruals amounting to € -6.1 (2.2) million. Almost all the amounts reported under wheat and currency derivatives are recognised through profit or loss in the next financial year. In the current financial year, the amount written back to the cost of materials was € 2.2 (-0.1) million.

Together with revenue reserves and other equity accounts of € 82.1 (21.6) million, shareholders' equity therefore amounts to € 367.2 (331.7) million.

The annual general meeting on 14 July 2015 authorised the executive board pursuant to § 71 (1) No. 8 AktG to acquire own shares up to a maximum of 10% of the share capital in the period up to 13 July 2020. Own shares may be acquired either via the stock exchange or by way of a public offer to all shareholders. Own shares may also be acquired and deducted from unappropriated profit or other revenue reserves. Among other things, the executive board is authorised, with the consent of the supervisory board, to sell the own shares acquired to third parties, with the exclusion of shareholders' pre-emptive subscription rights, for the purpose of business combinations or the acquisition of companies, parts of companies or equity interests in companies, or to service bonds with conversion and/or option rights. The authorisation to acquire own shares has not been exercised to date.

The annual general meeting on 19 July 2011 created authorised capital (Authorised Capital 2011) to broaden the company's room for manoeuvre with regard to any capital increases. The executive board is authorised, with the consent of the supervisory board, to increase the share capital of the company within the period until 18 July 2016 by up to a total of € 15 million by issuing new shares in exchange for cash and/or contributions in kind and to exclude the pre-emptive subscription right of the shareholders in certain instances. The authorisation to utilise the Authorised Capital 2011 had been exercised in the 2013/14 financial year to the extent of € 2.25 million. This reduced the remaining authorised capital to € 12.75 million. The authorisation was not exercised further in the 2015/16 financial year.



The annual general meeting on 19 July 2011 conditionally increased the company's share capital further by up to € 15 million through the issuance of up to 15 million new shares (Conditional Capital 2011). The executive board is authorised, with the consent of the supervisory board, to utilise the conditional capital to increase the share capital of the company to the extent that this is necessary to service the conversion or option rights on promissory notes and convertible or warrant-linked bonds which can be issued within the period until 18 July 2016. The authorisation to utilise the Conditional Capital 2011 has not been exercised to date.

## **(22) Provisions for pensions and similar obligations**

### **Defined-contribution pension plans**

In the context of defined-contribution pension plans, CropEnergies pays into state or private pension insurance schemes on the basis of statutory regulations, contractual agreements or on a voluntary basis. The current premium payments are reported as expense under personnel expenses. They amounted to € 3.4 (2.0) million within the group. By paying the contributions, the company has no further payment obligations; no provision is therefore recognised.

### **Defined-benefit pension plans**

The company pension scheme at CropEnergies is mainly based on direct defined-benefit commitments. As a general rule, the pensions are calculated on the basis of the time served with the company and the relevant salary or wage base. Obligations similar to pensions exist at French companies. They are measured in accordance with actuarial principles, taking the future cost trend into account.

The CropEnergies Group's reported net obligation consists of the present value of the defined-benefit obligations financed by provisions and the partly or wholly funded future defined-benefit obligations less the fair value of the plan assets.



€ thousands	29/02/2016	28/02/2015
Defined benefit obligation for direct pension benefits	21,831	18,360
Fair value of plan assets	-2,417	-2,069
<b>Provisions for pensions and similar obligations (net defined benefit obligation)</b>	<b>19,414</b>	<b>16,291</b>
Discount rate in %	2.24	2.05

The pension scheme for employees of the CropEnergies Group mainly comprises the following pension plans:

#### Germany

As far as employees in Germany are concerned, there are employer-financed commitments via company pensions, the level of which is determined by basic salary and length of service. Direct benefit commitments in respect of provision for retirement and dependants in the form of a fixed percentage of the pension assessment basis oriented to fixed salaries applies to members of the executive board. In respect of the pension plans for active members of the executive board, please refer to the disclosures in the compensation report as part of the corporate governance report in the management report and to item (35) "Related party transactions" in these notes. The pension obligations of CropEnergies AG and CropEnergies Bioethanol GmbH of € 17.2 (13.9) million are financed by provisions with the present values of € 17.3 (14.0) million offset by a plan asset of € 0.1 (0.1) million.

#### Belgium

Funded pension plans, in which the present value of future benefit obligations totalling € 4.0 (3.9) million is offset by plan assets totalling € 2.3 (2.0) million, exist for employees in Belgium. The employer-financed commitments via company pensions are determined by the level of the basic salary and length of service. Payment takes place as periodic pension payments and non-recurring payments.

#### France

Provisions for obligations similar to pensions cover pension commitments that must be recognised by law in France. They include a non-recurring payment in the event of termination of the employment relationship due to retirement or death, but not in the event of termination by the employee. The amount of the non-recurring payment is regularly determined from the fixed salary last drawn and is linked to the length of service. The net liability amounted to € 0.5 (0.5) million.



#### Net liability of defined-benefit obligations

The net liability of the defined-benefit obligations has developed as follows:

€ thousands	Defined benefit obligation	Fair value of plan assets	Provisions for pensions and similar obligation
<b>1 March 2015</b>	<b>18,360</b>	<b>-2,069</b>	<b>16,291</b>
<b>Expenses for company pension plans (Income statement)</b>			
Current service cost	1,658		1,658
Past service cost	1,297		1,297
Interest expense / income	400	-48	352
	<b>3,355</b>	<b>-48</b>	<b>3,307</b>
<b>Remeasurement recognised in other comprehensive income</b>			
Gains (-) and losses (+) on actual return on plan assets		-45	-45
Gains (-) and losses (+) from changes in financial assumptions	-1,083		-1,083
Losses (+) and gains (-) on experience adjustments	42		42
	<b>-1,041</b>	<b>-45</b>	<b>-1,086</b>
<b>Benefit, payments, contributions and other</b>			
Employer contributions to plan assets		-314	-314
Participants contributions to plan assets	21	-21	0
Benefit payments	-67	43	-24
Transference	1,240		1,240
Other	-37	37	0
	<b>1,157</b>	<b>-255</b>	<b>902</b>
<b>29 February 2016</b>	<b>21,831</b>	<b>-2,417</b>	<b>19,414</b>





€ thousands	Defined benefit obligation	Fair value of plan assets	Provisions for pensions and similar obligation
<b>1 March 2014</b>	<b>12,599</b>	<b>-1,810</b>	<b>10,789</b>
<b>Expenses for company pension plans (Income statement)</b>			
Current service cost	1,171		1,171
Past service cost	206		206
Interest expense / income	440	-67	373
	<b>1,817</b>	<b>-67</b>	<b>1,750</b>
<b>Remeasurement recognised in other comprehensive income</b>			
Gains (-) and losses (+) on actual return on plan assets		-4	-4
Losses (+) and gains (-) from changes in financial assumptions	4,007		4,007
Losses (+) and gains (-) on experience adjustments	38		38
	<b>4,045</b>	<b>-4</b>	<b>4,041</b>
<b>Benefit, payments, contributions and other</b>			
Employer contributions to plan assets		-241	-241
Participants contributions to plan assets	27	-27	0
Benefit payments	-62	51	-11
Transference	-38		-38
Other	-28	29	1
	<b>-101</b>	<b>-188</b>	<b>-289</b>
<b>28 February 2015</b>	<b>18,360</b>	<b>-2,069</b>	<b>16,291</b>

#### Expenses for company pension scheme

The net interest expense is recognised in the net financial result. The cost of the pension rights acquired in the financial year is recognised in personnel expenses.



#### **Remeasurement recognised in shareholders' equity**

The remeasurement of the pension obligation recognised directly in shareholders' equity amounted to € 1.1 (-4.0) million and resulted from adjustment of the discount rate.

The experience adjustments reflect the effects on existing pension obligations arising from the discrepancy between the actual portfolio growth and the assumptions made at the beginning of the financial year. The measurement of the pension obligations includes, in particular, the development of wage and salary increases, pension adjustments, staff turnover and biometric data such as disablement and deaths.

#### **Assumptions**

The provisions for pensions and similar obligations are measured on an actuarial basis according to the projected unit credit method pursuant to IAS 19 (Employee Benefits), taking future development into consideration.

The present value of the future benefit obligations and the plan assets that are related in specific cases have been calculated on the basis of the following actuarial parameters:

<b>in %</b>	<b>29/02/2016</b>	<b>28/02/2015</b>
Discount rate	2.24	2.05
Salary growth	2.50	2.50
Pension growth	1.50	1.50

Pension provisions were calculated on the basis of an interest rate of 2.15% (2.00%) in Germany and an interest rate of 2.60% (2.20%) in other countries. These interest rates are based on the return from premium corporate bonds, the duration of which corresponds to the average weighted duration of the obligation.

Generally accepted and updated country-specific mortality tables – such as, the Heubeck 2005 G table in Germany – served in each case as the basis for biometric calculations.



### Sensitivity analysis

The sensitivity analysis presented below takes the changes in an assumption into account in each case, with the other assumptions remaining unchanged in relation to the original calculation. Possible correlation effects between the individual assumptions are not considered.

29 February		2016	
€ thousands	Change in actuarial assumption	Defined benefit obligation	Change in %
Present value of the obligation			
Discount rate	Increase by 0.50 percentage point	19,255	-11.8%
	Decrease by 0.50 percentage point	24,898	14.0%
Salary growth	Increase by 0.25 percentage point	22,562	3.4%
	Decrease by 0.25 percentage point	21,203	-2.9%
Pension growth	Increase by 0.25 percentage point	22,444	2.8%
	Decrease by 0.25 percentage point	21,247	-2.7%
Life expectancy	Increase by one year	22,366	2.5%
	Decrease by one year	21,271	-2.6%

28 February		2015	
€ thousands	Change in actuarial assumption	Defined benefit obligation	Change in %
Present value of the obligation			
Discount rate	Increase by 0.50 percentage point	16,066	-12.5%
	Decrease by 0.50 percentage point	21,114	15.0%
Salary growth	Increase by 0.25 percentage point	19,041	3.7%
	Decrease by 0.25 percentage point	17,703	-3.6%
Pension growth	Increase by 0.25 percentage point	18,870	2.8%
	Decrease by 0.25 percentage point	17,874	-2.6%
Life expectancy	Increase by one year	18,721	2.0%
	Decrease by one year	17,978	-2.1%



### Plan assets

The primary investment objective for the plan assets is to provide full coverage of the payment obligations resulting from the corresponding pension commitments. The plan assets consist exclusively of insurance contracts, with a guaranteed minimum return being expected. There was no listing on an active market.

As of the balance sheet date, the plan assets were invested in the following asset category:

€ thousands	29/02/2016	28/02/2015
Insurance contracts	2,417	2,069

### Risks

The CropEnergies Group is exposed to various risks in connection with defined-benefit pension plans. In addition to general actuarial risks such as interest rate risk, there are risks associated with divergence from actuarial assumptions, such as wage and salary trends, pension trends, pension age, chronological age and staff turnover. There are capital market risks or credit rating and investment risks associated with plan assets. Further risks exist owing to changes in inflation rates.

The return on plan assets is assumed to be at the level of the discount rate. If the actual return on plan assets is below the discount rate applied, the net obligation from the pension plans increases. The net obligation level is significantly affected by the discount rate, with the currently low interest rate level contributing to a relatively high obligation. A decline in returns from corporate bonds would result in a further increase in defined-benefit obligations, which could be offset only to a limited extent by a positive development in the market values of the corporate bonds contained in the plan assets.

Possible inflation risks, which may result in an increase in defined-benefit obligations, exist indirectly with a salary rise due to inflation in the active phase as well as with pension adjustments due to inflation.

### Future payments

The weighted duration of pension obligations is around 26 (27) years. Employer contributions to plan assets amounting to € 0.3 (0.3) million are expected in the 2016/17 financial year.

Pension and one-off payments in the amounts below are expected over the next ten years:

Future pension and single payments	€ thousands
2016/17	29
2017/18	39
2018/19	417
2019/20	417
2020/21	769
2021/22 to 2025/26	2,606
	4,277



### (23) Development of other provisions

2015/16 € thousands	Personnel expenses	Uncertain obligations	Total
<b>1 March 2015</b>	<b>957</b>	<b>36,911</b>	<b>37,868</b>
Change due to currency translation	0	-1,298	-1,298
Additions	2,805	3,072	5,877
Utilised	-1,371	-13,299	-14,670
Released	-61	-1,949	-2,010
<b>29 February 2016</b>	<b>2,330</b>	<b>23,437</b>	<b>25,767</b>

The provisions for personnel expenses mainly consist of provisions for service jubilee expenses of € 0.8 (0.5) million, for staff transfers of € 0.8 (0.2) million, for severance payments of € 0.5 (0.0) and for phased early retirement schemes of € 0.1 (0.1) million. Of the total of € 2.3 million, € 0.6 million is expected to be utilised in the 2016/17 financial year.

The provisions for uncertain liabilities amounting to € 23.4 (36.9) million mainly consist of costs of € 16.2 (28.2) million for onerous contracts incurred during the anticipated temporary closure of the production plant in Wilton. The provisions for uncertain liabilities also consist of provisions for CO<sub>2</sub> emission rights of € 1.4 (1.9) million and provisions for litigation risks of € 1.0 (1.0) million.

Of the total amount of € 23.4 million, € 13.9 million is expected to be utilised in the 2016/17 financial year and the remaining amount over the next five years. The allocations to the provisions include compounding costs of € 25 (26) thousand.

### (24) Trade payables and other liabilities

€ thousands	29/02/2016	28/02/2015
Trade payables	44,112	57,152
Other liabilities	21,003	16,706
	<b>65,115</b>	<b>73,858</b>

Trade payables declined by € 13.0 million to € 44.1 million.

Other liabilities, amounting to € 21.0 (16.7) million, mainly comprise financial liabilities in the form of negative mark-to-market values of derivative hedging instruments of € 7.7 (0.7) million, other liabilities of € 1.2 (1.7) million, non-financial liabilities in respect of personnel expenses and liabilities of € 7.1 (6.0) million and € 5.0 (8.3) million in respect of other taxes.

**(25) Financial liabilities (net financial debt)**

€ thousands	Remaining term			Remaining term		
	29/02/2016	to 1 year	over 1 year	28/02/2015	to 1 year	over 1 year
Liabilities to banks	6,053	6,053	0	9,750	9,750	0
Liabilities to affiliated companies	67,600	16,600	51,000	150,000	51,000	99,000
Liabilities from finance leasing	56	33	23	116	52	64
<b>Financial liabilities</b>	<b>73,709</b>	<b>22,686</b>	<b>51,023</b>	<b>159,866</b>	<b>60,802</b>	<b>99,064</b>
<b>Cash and cash equivalents</b>	<b>-8,031</b>			<b>-9,718</b>		
<b>Net financial debt</b>	<b>65,678</b>			<b>150,148</b>		

Net financial debt as of 29 February 2016 amounted to € 65.7 (150.1) million. Of this amount, € 51.0 (99.1) million is available to the CropEnergies Group in the long term. The average rate of interest on the financial liabilities was 2.6% (3.5%).

Financial liabilities declined by € 86.2 million to € 73.7 million. All long-term financial liabilities, with the exception of liabilities from finance leases, relate to affiliated companies in the Südzucker Group.

On the balance sheet date, no encumbrances or other liens were assigned to creditors.

**Financial management**

Capital management within the CropEnergies Group comprises control of cash, equity and debt positions. CropEnergies' aim is a balance sheet structure with a high level of equity, which secures the company's growth strategy, taking reasonable capital costs into account and with above-average creditworthiness.

The CropEnergies Group's financing is based on the ability to generate consistently positive cash flows, stable relations with the shareholder groups backing the company, access to the capital markets and reliable banking relationships. The communication with capital market participants pursues a policy of financial transparency based on a reporting system which defines both the corporate planning and the reporting processes, using the same valuation and disclosure principles.

CropEnergies uses an optimised borrowing structure in terms of maturity and interest terms. For interim funding, flexible access to short-term liquidity is an important element of the financing structure.

CropEnergies pursues a conservative financing policy aimed at safeguarding the profitability, liquidity and stability of the company, which is flanked by strict financial management (cash and liquidity management) and integrated risk management. The financing policy is based on the following objectives:

- a strong capital structure with a sustainable equity funding base through the shareholder groups backing the company,
- debt funding instruments that allow flexible utilisation while assuring a balanced maturity profile,
- access to sufficient short-term liquidity at all times and
- controlling of financial risks through integrated risk management.





The management of the capital structure takes place on a long-term basis, focusing on both dynamic and static indicators. The key parameters here are the debt ratio (ratio of net financial debt to cash flow), the debt to equity ratio (net financial debt as a percentage of equity) and the equity ratio (equity as a percentage of total assets).

#### **(26) Lending and borrowing activities (primary financial instruments)**

The CropEnergies Group has entered into the following material credit agreements:

A fixed-interest-rate bank loan taken out by CropEnergies Bioethanol GmbH in an original principal amount of € 78.0 million in the 2005/06 financial year was repaid on 30 September 2015.

CropEnergies AG has direct and flexible access, with a sub-credit line of € 100 million, to a € 600 million syndicated bank credit facility arranged by Südzucker AG. The syndicated bank credit facility matures in November 2020. The interest rate is based on the euro zone's short-term interbank rate plus a (drawdown) margin. The credit line was not drawn as of 29 February 2016.

CT Biocarbonic GmbH, in which CropEnergies has a 50% stake, took out a fixed-interest-rate bank loan in a total amount of € 6.1 million in the 2009/10 financial year. After scheduled repayments, the remaining principal sum of the loan was € 2.9 million as of 29 February 2016. Of this amount, € 0.7 million is reported as current financial liabilities. The loan bears interest at the rate of 3.75% p.a. and is due to be repaid by 30 December 2019. This financial liability is presented in the annual financial statements according to the principles of at equity measurement. Furthermore, loan receivables of € 1.4 (1.4) million are due from the joint venture. The loan is long term and bears interest at the rate of 3.75% p.a.

The CropEnergies Group's cash and cash equivalents of € 8.0 (9.7) million consist of short-term bank deposits with banks of prime credit standing.

#### **(27) Derivative financial instruments**

##### **a) Use of derivative financial instruments**

The CropEnergies Group uses derivative instruments to a limited extent to hedge risks arising from its operating business. The use of these instruments is regulated within the framework of the risk management system by internal guidelines that set limits based on the hedged items, define authorisation procedures, restrict the use of derivative instruments for speculative purposes, minimise credit risks, and regulate the internal reporting and the separation of functions. Compliance with these guidelines and the due and proper execution and valuation of the transactions is regularly supervised, whereby it is ensured that the respective functions are strictly separated.

*Currency risks* can arise both from operating activities and from foreign currency financing outside or within the group. Derivative hedging instruments are used to a limited extent to cover these risks. Raw materials were largely sourced, and products largely sold, in euro.

*Interest rate risks* mainly relate to financial liabilities. To the extent that interest rate risks cannot be excluded through fixed-rate arrangements, CropEnergies has the option to use derivative hedging instruments to counter the risk of fluctuating interest rates.

*Raw material price risks* can arise mainly in connection with the procurement of agricultural commodities such as grain. Where price risks cannot be excluded through physical supply contracts, CropEnergies uses derivative financial instruments (e.g. wheat, ethanol futures and wheat options), where possible and expedient, to limit these risks.

*Product price risks* can arise as a result of fluctuating bioethanol prices. CropEnergies uses derivative hedges to a limited extent to hedge price change risks in respect of supply agreements with fluctuating ethanol prices.

**b) Market value of derivative financial instruments**

The nominal values, market values and credit risks of the derivative instruments within the CropEnergies Group are as follows:

€ thousands	Nominal value		Market value	
29/28 February	2016	2015	2016	2015
<b>Cash flow hedge derivatives</b>				
Wheat futures	87,677	67,030	-7,360	-221
Currency derivatives	11,289	10,467	184	369
<b>Total cash flow hedge derivatives</b>	<b>98,966</b>	<b>77,497</b>	<b>-7,176</b>	<b>148</b>
€ thousands	Nominal value		Market value	
29/28 February	2016	2015	2016	2015
<b>Derivatives held for trading</b>				
Embedded derivatives (from supply product contracts)	0	1,783	0	-116
Associated hedging transactions (with banks)	0	1,661	0	116
Wheat options	2,700	0	-250	0
Ethanol derivatives	2,440	12,234	-29	232
Currency derivatives	2,113	3,185	-8	-320
<b>Total derivatives held for trading</b>	<b>7,253</b>	<b>18,863</b>	<b>-287</b>	<b>-88</b>

As in the previous year, all derivatives have maturities of less than one year, except for wheat futures with a nominal value of € 2.0 (4.1) million.

The *nominal value* of a derivative hedge is the arithmetical base on which payments are calculated. The hedged item and risk are not the nominal value, only the changes in price or interest rate based thereon.

*Market value* represents the amount that CropEnergies would have to pay or receive if the hedge were liquidated on the reporting date. As only marketable, tradable financial instruments were used to hedge grain purchases, the market value is determined on the basis of market quotations.

On the balance sheet date, the volume of wheat futures amounted to € 87.7 (67.0) million with a market value of € -7.4 (-0.2) million.



Sensitivity: If wheat prices had been 10% higher or lower on the reporting date, the market value, reflected in shareholders' equity and to some extent in deferred taxes, would have changed by € 8.0 and (-8.0) million, respectively.

Product derivatives related to sales contracts for bioethanol that were based on a variable petrol price. The price risks of these transactions were minimised through matching hedges. Together, hedged item and hedge constituted a closed position. As of 29 February 2016, no further such open sales contracts needed to be recognised.

Price risks from sales contracts resulting from a variable ethanol price are hedged, as far as possible and expedient, by ethanol derivatives. On the balance sheet date, the volume of ethanol derivatives amounted to € 2.4 (12.2) million with a market value of € -29 (232) thousand. As only marketable, tradable financial instruments were used to hedge ethanol sales, the market value is determined on the basis of market quotations.

Sensitivity: If ethanol prices had been 10% higher or lower on the reporting date, the market value, reflected in the income statement and to some extent in deferred taxes, would have changed by € 0.2 and -0.2 million, respectively.

The total volume of currency derivatives was € 13.4 (13.7) million, with a market value of € 176 (49) thousand. The valuation of currency derivatives occurs on the basis of reference rates, taking into account forward premiums and discounts.

Sensitivity: If the relevant exchange rates had been 10% higher or lower on the reporting date, the market value, reflected in the income statement and, to some extent in deferred taxes, would have changed by € 0.2 and -0.2 million, respectively. The market value, recognised in shareholders' equity and, to some extent, in deferred taxes, would have changed by € -1.0 and 1.3 million, respectively.

*Credit risks* can arise from positive market values of derivatives. As of 29 February 2016, the positive market value amounts to € 0.2 (0.7) million. Credit risks are minimised by entering into derivative transactions through commodity futures exchanges with daily marking to market or with banks or customers of prime credit standing.

All changes in the value of derivative transactions undertaken to hedge future cash flows (cash flow hedges) are initially recognised in the revaluation reserve without effect on profit or loss and are recognised through profit or loss only when the cash flow is realised. Their market value as of 29 February 2016 was € -7.2 (0.1) million. Ineffective transactions amounting to € 0.4 million were recognised in the 2015/16 financial year.

Exchange-traded options were entered into in order to hedge risks arising from the volatility of wheat prices in the 2015/16 financial year. Their market value as of 29 February 2016 was € -0.3 (0.0) million.



**(28) Additional disclosures on financial instruments**

**Book and fair values of financial instruments**

The following table shows the book values and fair values of the financial assets and liabilities according to IAS 39. According to the definition of IFRS 13 (Measurement of Fair Value), fair value is the price received for the sale of an asset or paid for the transfer of a debt, on the valuation date, in the context of a proper transaction between market participants.

Valuation category (IAS 39)		29 February 2016		28 February 2015	
€ thousands		Book value	At fair value through profit or loss	Book value	At fair value through profit or loss
<b>Financial assets</b>					
Trade receivables	Loans and receivables	39,533	39,533	59,833	59,833
Other assets	Loans and receivables	9,059	9,059	2,755	2,755
Cash and cash equivalents	Loans and receivables	8,031	8,031	9,718	9,718
Derivatives held for trading (positive market value)	FAHfT*	35	35	348	348
Cash flow hedge derivatives (positive market value)	n.a. (Hedge Accounting)	184	184	369	369
		56,842	56,842	73,023	73,023
<b>Financial liabilities</b>					
Liabilities to banks	Other financial liabilities	6,053	6,053	9,750	9,854
Liabilities to affiliated companies	Other financial liabilities	67,600	68,116	150,000	150,379
Trade payables	Other financial liabilities	44,112	44,112	57,152	57,152
Other liabilities	Other financial liabilities	1,349	1,349	1,871	1,871
Derivatives held for trading (negative market value)	FLHfT**	322	322	436	436
Cash flow hedge derivatives (negative market value)	n.a. (Hedge Accounting)	7,360	7,360	221	221
		126,796	127,312	219,430	219,913
<b>Sum totals of valuation categories</b>					
€ thousands		Book value	At fair value through profit or loss	Book value	At fair value through profit or loss
Loans and receivables		56,623	56,623	72,306	72,306
FAHfT*		35	35	348	348
FLHfT**		322	322	436	436
Other financial liabilities		119,114	119,630	218,773	219,256

\* FAHfT = Financial assets held for trading

\*\* FLHfT = Financial liabilities held for trading



	Net result profit (+) / loss (-) according to valuation category IFRS 7 / IAS 39	
€ thousands	2015/16	2014/15
Loans and receivables	2,722	3,629
FAHfT* and FLHfT**	1,197	-271
Other financial liabilities	-7,736	-6,554

\* FAHfT = Financial assets held for trading

\*\* FLHfT = Financial liabilities held for trading

Net income according to IFRS 7 comprises interest, effects from exchange rate changes and valuation allowances on receivables as well as income from derivatives held for trading.

In the table below, the financial assets and liabilities calculated at fair value are classified by measurement level (fair value hierarchy) and are defined as follows according to IFRS 13:

Measurement level 1 comprises financial instruments traded on active markets, whose listed prices are taken over unchanged into the measurement. This is the case for wheat futures and options as well as ethanol derivatives. Measurement level 2 applies when measurement is based on methods whose influencing factors are derived directly or indirectly from observable market data. At CropEnergies, this applies to currency derivatives and embedded derivatives arising from supply contracts, the related hedging transactions with banks and financial liabilities. The measurement of level 3 derivatives is based on methods involving at least one significant influencing factor that cannot be observed. CropEnergies does not use any level 3 derivatives. In the 2015/16 financial year, no reclassifications were made between the respective measurement levels.

€ thousands	Fair Value Hierarchy							
	29 February 2016	Level 1	Level 2	Level 3	28 February 2015	Level 1	Level 2	Level 3
Positive market values – Cash flow hedge derivatives	184	0	184	0	369	0	369	0
Positive market values – Derivatives held for trading	35	32	3	0	348	232	116	0
<b>Financial assets</b>	<b>219</b>	<b>32</b>	<b>187</b>	<b>0</b>	<b>717</b>	<b>232</b>	<b>485</b>	<b>0</b>
Negative market values – Cash flow hedge derivatives	7,360	7,360	0	0	221	221	0	0
Negative market values – Derivatives held for trading	322	311	11	0	436	0	436	0
Liabilities to banks	6,053	0	6,053	0	9,854	0	9,854	0
Liabilities to affiliated companies	68,116	0	68,116	0	150,379	0	150,379	0
<b>Financial liabilities</b>	<b>81,851</b>	<b>7,671</b>	<b>74,180</b>	<b>0</b>	<b>160,890</b>	<b>221</b>	<b>160,669</b>	<b>0</b>

Impairments on financial instruments were only necessary in trade receivables and amounted to € 0.4 (0.5) million.

The total interest result from financial instruments not measured at fair value was € 3.9 (4.8) million. This consists of interest income of € 0.1 (0.1) million and interest expense of € 4.0 (4.9) million.

The mark-to-market values of derivatives contracted on futures markets are calculated on the basis of the closing prices as of the reporting date. The fair values of derivative financial instruments for which no market prices are available, as they are not listed on markets, are calculated using recognised actuarial models and market information available to the public. The market values of the currency and petrol derivatives are calculated based on discounted cash flows expected in the future, taking into account forward rates for currencies and raw materials (market comparison procedure).

In the 2015/16 financial year, CropEnergies incurred expenses of € 0.5 (0.3) million for guarantee and commitment provisions.

The fair values of the financial instruments were measured on the basis of the market information available on the reporting date and the methods and assumptions set out below:



Owing to their short maturities, it is assumed in the case of trade receivables, other receivables and cash items that fair values correspond to the book values.

The same applies to trade payables and other current liabilities.

The positive and negative mark-to-market values arising from derivatives relate to cash flow hedge derivatives and derivatives held for trading. They are reported under other receivables or other liabilities.

The fair values of liabilities to banks and affiliated companies are calculated as the present values of the cash outflows associated with the liabilities, based on the applicable yield curve. For short maturities, it is assumed that the fair values correspond to the book values. Liabilities to banks and affiliated companies are to be assigned to measurement level 2.





### **(29) Risk management in the CropEnergies Group**

The CropEnergies Group is exposed to market price risks arising from changes in end product, raw material and energy prices. In addition, there are financial risks such as currency, interest rate, credit and liquidity risks.

**Credit risks** | The CropEnergies Group's trade receivables are mostly in relation to customers in the mineral oil, food and animal feed industries. The resulting credit risk is limited through credit sale insurance to 10% of the respective total outstanding receivables and is controlled on the basis of internal guidelines and limits.

Valuation allowances based on the actual default risk are recognised where necessary for any remaining risk in respect of trade receivables. In accordance with internal group requirements, an allowance account is used, in principle, to adjust the carrying amounts of receivables. The maximum risk position arising from trade receivables corresponds to the book value of these receivables. The book values of past-due trade receivables and the residual doubtful trade receivables are stated in item (20) in the notes.

The maximum credit risk of other receivables and assets corresponds to the book value of these instruments and, in the assessment of CropEnergies, is not significant.

**Liquidity risk** | Liquidity risk denotes the risk that an enterprise may not be able to meet its financial obligations on time or sufficiently. The liquidity of the CropEnergies Group is monitored on a daily basis and optimised by means of national or transnational cash pools.

The CropEnergies Group generates liquidity from its operating business and – where necessary – through recourse to external finance. The funds serve to finance investments, acquisitions and working capital.

Additionally, to assure the CropEnergies Group's solvency at all times and to increase its financial flexibility, a liquidity reserve is maintained in the form of cash and cash equivalents but especially in the form of free credit lines.

CropEnergies AG has direct and flexible access, with a sub-credit line of € 100 million, to a € 600 million syndicated bank credit facility arranged by Südzucker AG.

The following overview shows the maturities of the liabilities as of 29 February 2016 and 28 February 2015, respectively. All cash outflows are not discounted to present value.



€ thousands	29 February 2016	Book value	Contractually agreed outflow of payments					
Financial liabilities		total	less than 1 year	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	more than 5 years
Liabilities to banks	6,053	6,053	6,053	0	0	0	0	0
Liabilities to affiliated companies	67,600	75,052	19,376	3,903	3,918	3,934	3,950	39,971*
	<b>73,653</b>	<b>81,105</b>	<b>25,429</b>	<b>3,903</b>	<b>3,918</b>	<b>3,934</b>	<b>3,950</b>	<b>39,971</b>
<b>Liabilities from</b>								
Trade payables	44,112	44,112	44,112	0	0	0	0	0
Other liabilities	1,349	1,349	1,349	0	0	0	0	0
Derivatives held for trading (negative market value)	322	322	322	0	0	0	0	0
Cash flow hedge derivatives (negative market value)	7,360	7,360	7,331	29	0	0	0	0
	<b>53,143</b>	<b>53,143</b>	<b>53,114</b>	<b>29</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>126,796</b>	<b>134,248</b>	<b>78,543</b>	<b>3,932</b>	<b>3,918</b>	<b>3,934</b>	<b>3,950</b>	<b>39,971</b>
€ thousands	28 February 2015	Book value	Contractually agreed outflow of payments					
Financial liabilities		total	less than 1 year	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	more than 5 years
Liabilities to banks	9,750	9,923	9,923	0	0	0	0	0
Liabilities to affiliated companies	150,000	151,018	54,986	3,196	3,237	3,279	3,320	83,000*
	<b>159,750</b>	<b>160,941</b>	<b>64,909</b>	<b>3,196</b>	<b>3,237</b>	<b>3,279</b>	<b>3,320</b>	<b>83,000</b>
<b>Liabilities from</b>								
Trade payables	57,152	57,152	57,152	0	0	0	0	0
Other liabilities	1,871	1,871	1,871	0	0	0	0	0
Derivatives held for trading (negative market value)	436	436	436	0	0	0	0	0
Cash flow hedge derivatives (negative market value)	221	221	221	0	0	0	0	0
	<b>59,680</b>	<b>59,680</b>	<b>59,680</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>219,430</b>	<b>220,621</b>	<b>124,589</b>	<b>3,196</b>	<b>3,237</b>	<b>3,279</b>	<b>3,320</b>	<b>83,000</b>

\*Plus any customary interest if CropEnergies makes the scheduled repayments at a later stage.



The cash outflows for the discharge of liabilities are based on the earliest due date. The non-current financial liabilities to affiliated companies mainly have an indefinite term. However, CropEnergies can reduce this in accordance with the liquidity position. The interest payments on financial instruments with variable interest rates are calculated on the basis of the interest rates applicable as of the reporting date. A net settlement agreement exists for all derivative contracts apart from currency derivatives.

**Currency risk I** Currency risks can arise from transactions in foreign currency and are hedged on a limited scale through derivative instruments. The use of these hedging instruments takes place within defined limits and rules, and is subject to a constant control process. Raw materials are largely sourced, and products largely sold, in euro and, to a lesser extent, in British pounds and US dollars.

Where financial receivables or liabilities are denominated in foreign currency, they are exposed to the risk of currency depreciation or appreciation until they are discharged. However, the volume of financial receivables and liabilities denominated in foreign currencies due to external companies is of minor importance for the CropEnergies Group.

CropEnergies can also be exposed to indirect currency risks from fluctuations in the market value of the euro versus the US dollar and the Brazilian real. However, such indirect effects on the world market prices for raw materials, energy and bio-ethanol cannot be quantified.

**Interest rate risk I** CropEnergies is exposed to the risk of interest rate changes in the euro zone. The interest rate risk relates mainly to financial liabilities. Of the loan drawdowns of € 73.6 (160.0) million as of 29 February 2016, € 16.0 (109.0) million were at a fixed rate of interest and € 57.6 (51.0) million were at a variable rate of interest.

Sensitivity: If the market interest rate level were 50 base points higher or lower, the annual interest cost of the loans would increase or decrease by € 0.3 million.

**Market price risk I** The CropEnergies Group is exposed to market price risks with regard to end products. CropEnergies controls these risks through the arrangement of sales contracts and their term as well as through derivative instruments. The use of these hedging instruments takes place within defined limits and rules, and is subject to an extensive control process.



## Other disclosures

### (30) Contingent liabilities and other financial commitments

On the reporting date, there were open purchase order commitments of € 5.1 (10.2) million for capital expenditures and € 120.8 (137.8) million for raw materials. The commitments for capital expenditures mainly relate to the construction of the neutral alcohol plant in Zeitz and optimisation projects at existing bioethanol plants. The commitments for raw materials mostly relate to purchase orders for grain, raw alcohol and sugar syrups. This gives rise to a purchase order commitment of € 50.6 (48.1) million in relation to Südzucker AG.

The obligations resulting from operating leases mainly concern rental contracts for office premises and machines; they amount to € 1.1 (1.4) million and have the following maturity structure:

€ thousands	29/02/2016	28/02/2015
Due within the next year	438	453
Due within 1 to 5 years	635	936
Due in more than 5 years	0	0
	<b>1,073</b>	<b>1,389</b>

Of the total amount of € 1.1 ( 1.4) million, € 0.1 (0.1) million concerns Südzucker AG.

For a long-term loan of CT Biocarbonic GmbH, CropEnergies AG has, within the framework of granting a loan, assumed a joint liability over 50% of the loan sum granted. As of the reporting date, the total loan of CT Biocarbonic GmbH is valued at € 2.9 million. At the present time, recourse to this liability from these obligations is not expected because the subsidiaries and joint ventures are able to settle their obligations.

CropEnergies may be liable to possible obligations arising from various claims or proceedings that are pending or could be filed. Estimates about future expenses in this respect are inevitably subject to uncertainties. If a loss is probable and the amount can be reliably estimated, CropEnergies recognises provisions for these risks. To our knowledge at the present time, there are no claims or proceedings that could have a material impact on the CropEnergies Group's financial position.

Otherwise, there were no contingent liabilities or other financial commitments as of the reporting date.

### (31) Earnings per share

Consolidated net earnings for the year amounted to € 42.6 (-58.0) million. Throughout the 2015/16 financial year, the number of CropEnergies shares stood at 87.25 million. The calculation of earnings per share (IAS 33) is therefore based on a time-weighted average of 87.25 (87.25) million shares. This generates earnings per share of € 0.49 (-0.67), with diluted earnings being the same as undiluted earnings.

### (32) Disclosures on the cash flow statement

The cash flow statement, which was prepared in accordance with the provisions of IAS 7 (Cash Flow Statements), presents the change in the CropEnergies Group's net cash position from the three areas of operating activities, investing activities and financing activities.



As a result of the increase in EBITDA, adjusted for special items, cash flow increased to € 87.3 (5.3) million. Including the change in net working capital, cash flow from operating activities amounted to € 101.6 (26.1) million.

The cash outflows for tax payments amounted to € 6.3 (12.8) million and are attributable to operating activities. In addition, there was interest expense of € 3.6 (5.1) million, likewise attributable to operating activities. The capital expenditures of € 16.8 (31.6) million for property, plant and equipment and intangible assets were mainly accounted for by investment in property, plant and equipment, particularly with a view to diversifying the product portfolio and improving the production plants.

As of 29 February 2016, cash and cash equivalents amounted to € 8.0 (9.7) million.

The receipt of financial liabilities amounting to € 14.1 (79.1) million was offset by repayments of € 100.5 (67.8) million.

### **(33) Group auditor's fees**

For services performed by the Group's independent auditor, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, expenses of € 147 (152) thousand were incurred in the 2015/16 financial year for the auditing of the consolidated financial statements and for the auditing of the separate financial statements of CropEnergies AG and its German subsidiary, CropEnergies Bioethanol GmbH.

In addition, the independent auditor performed tax consulting services in the current financial year amounting to € 1 (87) thousand. There were neither other attestation services nor other consultancy services in the reporting year.

### **(34) Declaration of conformity pursuant to § 161 AktG**

The executive and supervisory boards of CropEnergies AG issued the declaration of conformity with the German Corporate Governance Code pursuant to § 161 AktG, on 9 November 2015. It is available permanently to CropEnergies AG shareholders on the company's website at [www.cropenergies.com](http://www.cropenergies.com) under "Investor Relations".

### **(35) Related party transactions**

"Related parties" for the purposes of IAS 24 (Related Party Disclosures) are Südzucker AG as majority shareholder, its executive and supervisory boards together with their close family members, and its subsidiaries (Südzucker Group), the joint venture CT Biocarbonic GmbH, and the members of the executive board and supervisory board of CropEnergies AG together with their close family members. Furthermore, there is Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG), Stuttgart, whose own holdings of Südzucker shares plus the shares held in trust for its members represent a majority stake in Südzucker AG.

**Südzucker AG I** The transactions with Südzucker AG involved supplies, especially raw materials and energy, by Südzucker AG amounting to € 48.1 (44.8) million. In addition, services worth € 3.5 (3.4) million and research & development work worth € 1.5 (2.1) million were provided.

Set against this, the CropEnergies Group received € 1.2 (1.0) million from Südzucker AG for supplies of goods. The CropEnergies Group incurred net interest expense of € 3.3 (4.5) million on intercompany lendings and borrowings.

On the balance sheet date, there were receivables of € 1.4 (0.0) million outstanding from Südzucker AG and liabilities of € 7.5 (8.6) million outstanding to Südzucker AG in respect of the aforesaid related party transactions. Financial liabilities due to Südzucker AG amounted to € 32.6 (67.0) million.



**Affiliated companies of Südzucker AG I** The transactions with the affiliated companies of Südzucker AG involved supplies, especially raw materials and traded commodities, amounting to € 73.4 (77.2) million. In addition, services worth € 1.0 (1.0) million were provided.

Set against this, the CropEnergies Group received € 60.3 (59.4) million from the affiliated companies of Südzucker AG for supplies of goods. In addition, the CropEnergies Group received compensation payments of € 1.9 (2.1) million and service revenues of € 1.3 (1.1) million.

On the balance sheet date there were receivables of € 7.2 (7.1) million outstanding from the affiliated companies of Südzucker AG and liabilities of € 9.5 (8.5) million outstanding to Südzucker AG in respect of the aforesaid related party transactions. Financial liabilities due to the affiliated companies of Südzucker AG amounted to € 35.0 (83.0) million.

The related party transactions with Südzucker AG and its affiliated companies were settled at usual market prices and interest rates; performance and consideration were commensurate, so no party was placed at a disadvantage. No significant transactions were conducted with related persons.

**CT Biocarbonic GmbH I** Services were provided and goods were supplied, at usual market prices, for the joint venture CT Biocarbonic GmbH amounting to € 1.2 (1.1) million. Furthermore, loan receivables of € 1.4 (1.4) million are due from CT Biocarbonic GmbH on the reference date.

**Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG I** There were no transactions or outstanding balances with Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG) on the reference date.

**Executive board I** The executive board received a total compensation for the 2015/16 financial year of € 1,064 (761) thousand, with the fixed annual salary accounting for € 615 (459) thousand. € 397 (264) thousand was paid as variable compensation. € 52 (39) thousand was paid in the form of non-monetary benefits and social insurance contributions.

Pension provisions for active executive board members amounted to € 4.8 (3.2) million. In the 2015/16 financial year, the service cost € 1.5 (0.1) million was allocated. An amount of € 0.9 million was reserved for the pension provisions of former executive board members. The payments for former executive board members amount to € 0.6 million.

**Supervisory board I** The compensation for the entire activities of the supervisory board members of CropEnergies AG amounts to € 198 (175) thousand for the 2015/16 financial year, with the fixed compensation accounting for € 198 (175) thousand. In addition, out-of-pocket expenses amounting to € 10 (9) thousand were reimbursed.

The description of the compensation systems for the executive and supervisory boards is part of the management report and can be found in the declaration on corporate management / corporate governance report on page 40.



### (36) Supervisory board

#### Prof. Dr. Markwart Kunz

*Chairman*

#### Braunschweig

*Former member of the executive board of Südzucker AG*

#### Thomas Kölbl

*Deputy Chairman (from 30 April 2015)*

#### Speyer

*Member of the executive board of Südzucker AG*

#### Positions held in national supervisory boards stipulated by law

- Boerse Stuttgart GmbH, Stuttgart
- EUWAX Aktiengesellschaft, Stuttgart

#### Positions held in comparable national and foreign supervisory bodies

- Baden-Württembergische Wertpapierbörse, Stuttgart

#### Group positions

- AGRANA Internationale Verwaltungs- und Asset-Management GmbH, Vienna (Austria)
- AGRANA Stärke GmbH, Vienna (Austria)
- AGRANA Zucker GmbH, Vienna (Austria)
- AUSTRIA JUICE GmbH, Gleisdorf (Austria)
- BENEÖ GmbH, Mannheim
- Freiberger Holding GmbH, Berlin
- PortionPack Europe Holding B. V., Oud-Beijerland (Netherlands), (Chairman)
- Raffinerie Tirlemontoise SA, Brussels (Belgium)
- Saint Louis Sucre SAS, Paris (France)
- Südzucker Polska SA, Breslau (Poland)
- Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman)

#### Dr. Lutz Guderjahn (until 30 April 2015)

*Deputy Chairman*

#### Offstein

*Member of the executive board of Südzucker AG*

#### Dr. Hans-Jörg Gebhard

#### Eppingen

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

#### Other positions held in national supervisory boards stipulated by law

- Südzucker AG, Mannheim (Chairman)
- GoodMills Deutschland GmbH, Hamburg

#### Positions held in comparable national and foreign supervisory bodies

- AGRANA Beteiligungs-AG, Vienna (Austria)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna (Austria), (Deputy Chairman)
- Freiberger Holding GmbH, Berlin
- Raffinerie Tirlemontoise SA, Brussels (Belgium)
- Saint Louis Sucre SAS, Paris (France)
- Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG), Stuttgart (Chairman)
- Vereinigte Hagelversicherung VVaG, Gießen
- Z & S Zucker und Stärke Holding AG, Vienna (Austria)





**(37) Executive board**

**Dr. Wolfgang Heer (from 13 May 2015)**

**Ludwigshafen am Rhein**

*Chairman of the executive board of Südzucker AG*

**Group positions**

- AGRANA Beteiligungs-AG, Vienna (Austria), (1<sup>st</sup> Deputy Chairman)
- AGRANA Zucker, Stärke und Frucht Holding AG, Vienna (Austria), (Chairman)
- BENEÖ GmbH, Mannheim
- ED&F MAN Holdings Limited, London (United Kingdom)
- Freiburger Holding GmbH, Berlin (Chairman)
- PortionPack Europe Holding B. V., Oud-Beijerland (Netherlands)
- Raffinerie Tirlemontoise SA, Brussels (Belgium)
- Saint Louis Sucre SAS, Paris (France)
- Südzucker Polska SA, Breslau (Poland), (Deputy Chairman)
- Z & S Zucker und Stärke Holding AG, Vienna (Austria), (Deputy Chairman)

**Joachim Lutz (CEO)**

Mannheim

**Dr. Marten Keil (COO)**

**until 30 April 2015**

Heidelberg

**Michael Friedmann (CSO)**

**from 30 April 2015**

Mannheim

**Dr. Stephan Meeder (CFO)**

**from 30 April 2015**

Mannheim

**Franz-Josef Möllenberg**

**Rellingen**

*Secretary of the Gewerkschaft Nahrung-Genuss-Gaststätten (Union)*

**Other positions held in national supervisory boards stipulated by law**

- Südzucker AG, Mannheim (Deputy Chairman)

**Norbert Schindler**

**Bobenheim am Berg**

*Member of the Bundestag (Lower house of German Parliament)*

**Positions held in comparable national and foreign supervisory bodies**

- Sparkasse Rhein-Haardt, Bad Dürkheim
- Süddeutsche Krankenversicherung a. G., Fellbach
- Süddeutsche Lebensversicherung a. G., Fellbach
- Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG), Stuttgart



**(38) List of subsidiaries and equity interests**

Company	Location	Country	Direct holding	Indirect holding	Total holding
CropEnergies Bioethanol GmbH	Zeitz	Germany	15%	85%	100%
CropEnergies Beteiligungs GmbH	Mannheim	Germany	100%		100%
BioWanze SA	Brussels	Belgium	100%		100%
Ryssen Alcools SAS	Loon-Plage	France		100%	100%
Ryssen Chile SpA	Lampa, Santiago de Chile	Chile		100%	100%
Compagnie Financière de l'Artois SA	Paris	France	100%		100%
Ensus Ltd	Yarm	United Kingdom	100%		100%
Ensus UK Ltd	Yarm	United Kingdom	100%		100%
CropEnergies Inc.	Houston	USA		100%	100%
CT Biocarbonic GmbH	Zeitz	Germany		50%	50%

**(39) Proposed appropriation of profit**

CropEnergies Group's consolidated net earnings for the year (according to IFRS) rose to € 42.6 (-58.0) million. After an allocation of € 17.8 million to the revenue reserves, the unappropriated profit of CropEnergies AG derived according to German commercial law, which is the relevant net earnings figure for appropriation purposes, amounted to € 17.8 million.

The executive board and supervisory board will propose to the annual general meeting on 12 July 2016 that, from the unappropriated profit of CropEnergies AG of € 13.1 million, a corresponding dividend of € 0.15 per share be distributed, a further € 4.5 million be allocated to the revenue reserves and the remaining unappropriated profit of € 0.2 million be carried forward.

**(40) Events after the reporting period**

No events took place after the reporting period that had a significant impact on the assets, liabilities, financial position and results of operations.

**(41) Segment report**

According to IFRS 8 (Operating Segments), information has to be disclosed on those segments that the company has created for internal reporting and control purposes (so-called management approach).

The CropEnergies Group produces only one homogeneous main product (bioethanol). Similar end products derived after several related or identical production processes can be commercially distributed independently. The planning and control of the CropEnergies Group's operating activities are performed by the executive board as the chief decision-maker mainly on the basis of revenues as well as operating profit. Management uses these two financial indicators to control the individual operating units (including the superordinate holding companies in each case). As the business segments have similar long-term earnings performance and comparable economic characteristics, they are combined into one reporting segment in accordance with IFRS 8.12. Business transactions between the segments were carried out at usual market prices and eliminated.



€ million	29/02/2016	28/02/2015
Total assets	591.5	643.9
Capital Employed	495.9	524.0
Inventories	56.8	63.6
Total liabilities	-224.3	-312.3
Net financial debt	-65.7	-150.1
Expenditures on property, plant and equipment and intangible assets*	16.8	31.6
Number of employees	416	432

€ million	29/02/2016	28/02/2015
<b>Carrying amount fixed and intangible assets</b>		
Germany	147.8	153.3
Other countries	305.0	327.5
	<b>452.8</b>	<b>480.8</b>
<b>Third-party revenues</b>	<b>2015/16</b>	<b>2014/15</b>
Germany	360.8	383.7
Other countries	361.8	443.5
	<b>722.6</b>	<b>827.2</b>
<b>Expenditures on property, plant and equipment and intangible assets*</b>	<b>2015/16</b>	<b>2014/15</b>
Germany	8.4	19.5
Other countries	8.4	12.1
	<b>16.8</b>	<b>31.6</b>

\* Including assets under construction

## Statement of comprehensive income

1 March 2015 to 29 February 2016

€ thousands	Reporting segment	Consolidation	Group
<b>Income statement</b>			
<b>Revenues</b>	<b>953,728</b>	<b>-231,126</b>	<b>722,602</b>
Change in work in progress and finished goods inventories and internal costs capitalised	-151	-1,374	-1,525
Other operating income	8,296	-2,725	5,571
Cost of materials	-753,247	230,785	-522,462
Personnel expenses	-39,642	0	-39,642
Depreciation	-40,369	677	-39,692
Other operating expenses	-59,214	3,002	-56,212
Income from companies consolidated at equity	0	40	40
<b>Income from operations</b>	<b>69,401</b>	<b>-721</b>	<b>68,680</b>
Financial result	-5,944	227	-5,717
<b>Earnings before income taxes</b>	<b>63,457</b>	<b>-494</b>	<b>62,963</b>
Taxes on income	-20,456	140	-20,316
<b>Net earnings for the year</b>	<b>43,001</b>	<b>-354</b>	<b>42,647</b>

1. March 2014 to 28 February 2015

€ thousands	Reporting segment	Consolidation	Group
<b>Income statement</b>			
<b>Revenues</b>	<b>970,432</b>	<b>-143,267</b>	<b>827,165</b>
Change in work in progress and finished goods inventories and internal costs capitalised	-3,881	801	-3,080
Other operating income	17,119	-10,174	6,945
Cost of materials	-847,779	141,121	-706,658
Personnel expenses	-33,653	0	-33,653
Depreciation	-37,079	669	-36,410
Other operating expenses	-103,866	9,900	-93,966
Income from companies consolidated at equity	0	290	290
<b>Income from operations</b>	<b>-38,706</b>	<b>-661</b>	<b>-39,367</b>
Financial result	-4,015	273	-3,742
<b>Earnings before income taxes</b>	<b>-42,721</b>	<b>-388</b>	<b>-43,109</b>
Taxes on income	-15,031	97	-14,934
<b>Net earnings for the year</b>	<b>-57,752</b>	<b>-291</b>	<b>-58,043</b>

The breakdown of segment assets and capital investments by region is based on the countries in which the companies of the CropEnergies Group have their registered office and domicile. Third-party revenues are broken down on the basis of delivery destination.

In the 2015/16 financial year, the CropEnergies Group derived 18.2% (14.1%) of its consolidated revenues from one customer.

## RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Mannheim, 25 April 2016

### THE EXECUTIVE BOARD

Joachim Lutz  
CEO

Michael Friedmann  
CSO

Dr. Stephan Meeder  
CFO

## INDEPENDENT AUDITORS' REPORT

### To CropEnergies AG, Mannheim

#### Consolidated financial statements

We have audited the accompanying consolidated financial statements of CropEnergies AG, Mannheim, and its subsidiaries, which comprise the consolidated income statement and the statement of income and expenses recognised in shareholders' equity, the consolidated cash flow statement, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity and the notes to the consolidated financial statements for the financial year from 1 March 2015 to 29 February 2016.

#### Executive board's responsibility for the consolidated financial statements

The executive board of CropEnergies AG is responsible for preparing the consolidated financial statements. This responsibility includes these consolidated financial statements being prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB (German Commercial Code), and their giving a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The executive board is also responsible for the internal controls which it deems to be necessary to enable the preparation of consolidated financial statements that are free from misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with professional duties and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the carrying amounts and other disclosures in the consolidated financial statements. The selection of audit

procedures depends on the auditor's professional judgement. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive board, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Audit opinion

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position of the group as of 29 February 2016 as well as the results of operations for the financial year ending on this reference date, in accordance with these requirements.

#### Note on the group management report

We have audited the accompanying group management report of CropEnergies AG for the financial year from 1 March 2015 to 29 February 2016. The executive board of CropEnergies AG is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to § 315a (1) HGB. We conducted our audit in accordance with § 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Those standards require that we plan and perform the audit of the group management report so as to obtain



reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

In accordance with § 322 (3) sentence 1 HGB, we declare that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and the group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 25 April 2016  
PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Dr. Ralf Worster  
Auditor

ppa. Christina Pöpperl  
Auditor



## GLOSSARY

**Alcohol** | → Ethanol.

**Bioethanol** | Alcohol obtained from renewable raw materials. Sugar-, starch- or cellulose-containing biomasses are suitable raw materials. CropEnergies uses grains, → Sugar syrups and raw alcohol as raw materials.

**Biofuels** | Fuels obtained from biomass (e.g., → Bioethanol, biodiesel, biogas, vegetable oil).

**Biofuel Sustainability Regulation (Biokraft-NachV)** | Regulation that entered into force in Germany on 2 November 2009 concerning requirements for the sustainable production of → Biofuels. The aim of the regulation is to ensure that only → Biofuels produced in conformity with mandatory sustainability standards benefit from tax incentives or can be credited to the biofuel targets. The regulation implements the → Sustainability criteria of the European Union for the biofuel sector in Germany.

**Blending (with petrol)** | Adding → Bioethanol to → Petrol. In Europe, the standard concerning → Petrol is the EN 228 standard that has allowed the addition of 10 vol.-% → Ethanol or 22 vol.-% ETBE since the end of 2012. Different ethanol blending rates apply around the world for conventional → Petrol (e.g., 18–27.5 vol.-% in Brazil; 10–15 vol.-% in the USA).

**C4 components** | A term derived from petrochemistry for a hydrocarbon fraction, which consists mainly of unsaturated compounds with four carbon atoms and is used mainly as a chemical raw material, e.g., for manufacturing plastics. These components can also be produced from → Bioethanol – i.e., on the basis of renewable raw materials.

**Carbon dioxide (CO<sub>2</sub>)** | End product of the burning of any carbon-containing material and base product for the creation of vegetable biomass through photosynthesis. When biomass is burned, only the amount of C previously absorbed during growth is released. C. is the principal → Greenhouse gas. C. can be used in the food and packaging industries.

**CDS (Concentrated Distillers' Solubles)** | Liquid animal feed from → Stillage which is produced in the production of → Bioethanol from grain and is then thickened.

**Cellulose** | Structural substance of plants, main component of cell walls. Cellulose is a polysaccharide consisting of several thousand β-glucose components. It can be broken down by mineral acids, enzymes or fungi ("wood saccharification", "wood alcohol production"). Processes for the production of Bioethanol from cellulose are currently under development.

**CO<sub>2</sub>** | → Carbon dioxide.

**D&O Insurance (Directors and Officers Insurance, also Board or Senior Officer Liability Insurance)** | Liability insurance which a company takes out to protect its boards and senior officers against claims for damages for financial losses.

**DDGS (Distillers' Dried Grains with Solubles)** | Dry stillage. D. is the dried → Stillage produced in the production of Ethanol from grains and is used as a valuable protein animal feed.

**Dehydration** | Term used for the so-called "drying" of → Alcohol. In this last step of → Bioethanol production, virtually all the remaining water is removed from the → Alcohol, thus achieving a purity level of over 99%.

**Distillation** | Separation of liquids which consist of different ingredients by means of controlled heating, e.g., fractional distillation of crude oil (petroleum) or separation of → Alcohol and water. This separation process is based on the various boiling points of the compound ingredients.

**E5** | Fuel for petrol engines with up to 5 vol.-% → Bioethanol.

**E10** | Fuel for petrol engines with up to 10 vol.-% → Bioethanol.

**E85** | Fuel for flexible fuel vehicles (→ FFVs). E85 is a bioethanol-petrol mixture with a bioethanol content of approximately 85 vol.-%. In Germany, it is regulated by the DIN 51625 standard.

**Enzyme** | Archaic: ferment. A biochemical catalyst that helps to break down or change a substrate without being consumed itself. E. consist of protein.



**Ethanol** | Also known as ethyl alcohol. Belongs to the group of → Alcohols, and is synonymous with Alcohol in the narrower sense. Ethanol is the main product of alcohol → Fermentation, and is the principal component of spirits and alcoholic beverages. Ethanol is used as a fuel additive (→ Bioethanol) and as a fuel on its own, but also in the chemical and pharmaceutical industry.

**Fermentation** | Biotechnical procedure for manufacturing a desired product; in the course of the procedure, organic material is converted by microorganisms such as bacteria, fungi or unicellular organisms or their enzymes. During the production of → Bioethanol, the sugar contained in the mash is converted by yeast into → Alcohol.

**FFVs (flexible fuel vehicles)** | FFVs are "fuel flexible", that is to say, they can be fuelled by both pure → Petrol and – in Europe – by up to 86% → Bioethanol. They have one tank and detect the mixture of → Bioethanol and → Petrol by means of a sensor. The engine management system automatically adjusts the ignition timing to the composition of the mixture.

**Fuel Quality Directive** | European Parliament and Council Directive 98/70/EC of 13 October 1998 which sets minimum standards for the quality and labelling of the quality specifications of fuels. With this directive, the European Parliament and Council have adopted an amendment proposed by the European Commission to reduce air pollution and Greenhouse gas emissions from fuels. This also opened the way for the EU-wide introduction of → E10 fuel.

**Gallon** | Measure of volume (dry or liquid measure) for which there are several definitions. The US liquid gallon customary for measuring liquids in the USA is equivalent to around 3.785 litres.

**Gluten** | A tenacious elastic protein contained in cereal grains. It is used in the food production (particularly bakery goods) and special animal feeds. G. is of central importance for the baking properties of flour.

**GMP+** | Guidelines for quality assurance of the production processes and environment, among other things, in the production of food and animal feed.

**Grain year** | Period of twelve months for statistical purposes for collecting data (e.g., acreage, crop yields) for each type of grain. It begins with the start of the harvesting season. In Europe, the grain year for wheat runs from 1 July to 30 June.

**Greenhouse gases** | Besides methane, nitrous oxide and fluorocarbons, → Carbon dioxide is the main anthropogenous greenhouse gas. The increasing concentration of greenhouse gases in the atmosphere is responsible for global warming.

**HACCP (Hazard Analysis Critical Control Point)** | A systematic preventive approach in worldwide use for analysing hazards and monitoring critical control points in the production of food and animal feed to ensure health safety.

**IFS (International Food Standard) certification** | Certification and auditing of systems for guaranteeing the safety and quality of food in the production process. The certification is performed by accredited certification bodies.

**ProtiGrain®** | Brand name for the → DDGS produced by CropEnergies. It is marketed as high-grade protein animal feed.

**ProtiWanze®** | Brand name for the → CDS produced by CropEnergies in Wanze. It is a liquid animal feed with a high protein content.

**Rectification** | A step in the bioethanol production process in which the → alcohol is purified and residues are removed.

**Renewable Energies Directive** | Directive 2009/28/EC of the European Parliament and Council of 23 April 2009 for promoting the use of energy from renewable sources. Among other things, this sets a mandatory target quota for → Renewable energies of 10% of the total fuel consumption in the transportation sector by 2020. The directive also contains rules on the sustainable production of → Biofuels. Economic operators are required to establish independent verification procedures (e.g., certification systems) to prove compliance with the legally stipulated requirements. The last amendment was made by means of the 2015/1513 directive ("ILUC-Richtlinie") of 9 September 2015.

**Severance payment cap** | The upper limit on the amount of compensation that a member of the executive board receives if his contract is prematurely terminated.



**Scope 1** Classification of the greenhouse gas (GHG) emissions arising during production. Direct (scope 1) GHG emissions come from sources which are the property of or managed by the rapporteur (e.g., own power stations). Indirect (scope 2) GHG emissions result from the generation of electric or thermal energy which is bought by the rapporteur for the use of third parties.

**Stillage** Residues of non-fermentable substances produced during distillation. Its content of protein, nitrogen compounds, fat and other substances make grain stillage a valuable animal feed for livestock.

**Sugar syrups** Intermediate products in sugar production. CropEnergies uses sugar syrups in its bioethanol plants as raw material for the production of → Bioethanol.

**Sustainability certification** Serves to monitor and audit the entire cultivation, supply and production chain for → Biofuels to ensure compliance with the EU requirements of the Biofuel Sustainability Regulation through independent certification systems and bodies recognised and overseen by the EU Commission or national supervisory authorities (e.g., the Federal Institute for Agriculture and Food [BLE] in Germany). This certification also covers power generation from liquid biomass.

**Sustainability criteria** Criteria that → Biofuels used for the purposes of meeting the targets of the → Renewable Energies Directive and → Biofuels benefiting from national support programmes are required to satisfy as proof of their ecological sustainability. Examples are a minimum reduction of → Greenhouse gas emissions and the protection of areas of high biological diversity. Social sustainability criteria were also taken into account in the drafting of the → Renewable Energies Directive.

**Volume percent (volume concentration)** Written as vol.-% or v/v. in the case of → Ethanol, designation for the → Alcohol content of a fluid based on the volume at 20 °C.

**Weight percent** Measure of the percentage of the mass of one component relative to the total mass of a mixture (abbreviated: wt.-%).

## FORWARD-LOOKING STATEMENTS AND FORECASTS

This annual report contains forward-looking statements. These statements are based on current estimations and forecasts of the executive board and information currently available to it. The forward-looking statements are not guarantees of the future developments and results mentioned therein. Rather, the future developments and results depend on a number of factors, entail various risks and imponderables and are based on assumptions that may not prove to be accurate. The risk and opportunities report in this annual report provides an overview of the risks.

CropEnergies accepts no obligation to update the forward-looking statements made in this annual report.