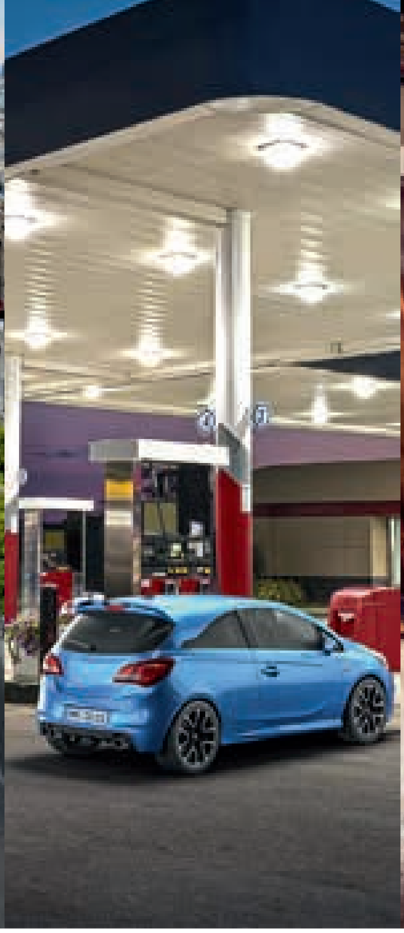
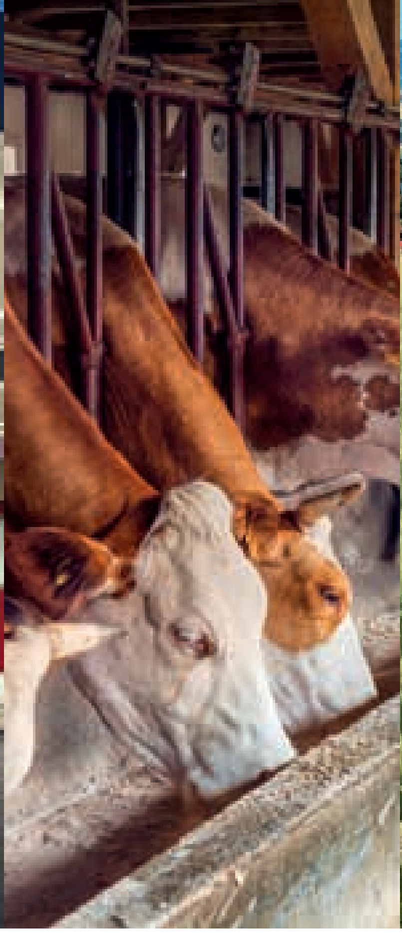
CropEnergies AG I Annual Report 2017/18





ANNUAL REPORT 2017/18

crop. energies

mobility – sustainable. renewable.

SÜDZUCKER GROUP

HIGHLIGHTS 2017/18
CROPENERGIES GROUP

■ Revenues up to € 882 (802) million	€ +80 million
■ Bioethanol production up to 1,149,000 (1,030,000) m^3	+12%
■ EBITDA declines to € 110.8 (134.8) million	€ -24 million
■ Operating profit reaches € 71.7 (97.6) million	€ -26 million
■ Net earnings decline to € 50.8 (68.8) million	€ -18 million
■ Cash flow amounts to € 89.6 (107.2) million	€ -18 million

■ Net financial assets of € 37 million
(net financial debt of € 9 million) built up

■ Dividend proposal: distribution of € 0.25 per share

■ Outlook for 2018/19*: Revenues are expected to range between € 840 and € 900 million. Operating profit 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. 54

CROPENERGIES – GROUP FIGURES OVERVIEW

IFRS/IAS		2017/18	2016/17	2015/16	2014/15	2013/14
Result						
Revenues	€ thousands	881,963	801,736	722,602	827,165	780,436
EBITDA	€ thousands	110,821	134,759	121,544	25,177	68,463
in % of revenues	%	12.6	16.8	16.8	3.0	8.8
Operating profit	€ thousands	71,660	97,562	86,695	-11,233	35,002
in % of revenues	%	8.1	12.2	12.0	-1.4	4.5
Income from operations	€ thousands	70,769	93,871	68,680	-39,367	28,050
Net earnings	€ thousands	50,809	68,779	42,647	-58,043	12,006
in % of revenues	%	5.8	8.6	5.9	-7.0	1.5
Cash flow and capital expenditures						
Cash flow	€ thousands	89,609	107,168	87,265	5,285	50,858
in % of revenues	%	10.2	13.4	12.1	0.6	6.5
Capital expenditures in property, plant and equipment*	€ thousands	19,502	16,055	16,831	31,636	18,182
Balance sheet						
Total assets	€ thousands	592,293	597,920	591,476	643,914	666,305
Net financial assets (+) / net financial debt (-)	€ thousands	36,874	-9,285	-65,678	-150,148	-134,674
Equity	€ thousands	445,678	425,777	367,215	331,660	395,344
in % of total liabilities and shareholders' equity	%	75.2	71.2	62.1	51.5	59.3
Performance						
Property, plant and equipment*	€ thousands	396,301	419,135	447,176	475,232	472,519
Goodwill	€ thousands	6,095	5,595	5,595	5,595	5,595
Working capital	€ thousands	55,434	59,567	43,142	43,191	71,186
Capital employed	€ thousands	457,830	484,297	495,913	524,018	549,300
ROCE	%	15.7	20.1	17.5	-2.1	6.4
Shares						
Market capitalization	€ million	545	723	332	262	442
Total shares issued of 28/29 February	million	87.25	87.25	87.25	87.25	87.25
Closing price on 28/29 February	€	6.25	8.28	3.80	3.00	5.07
Earnings per share	€	0.58	0.79	0.49	-0.67	0.14
Dividend per € 1 share	€	0.25**	0.30	0.15	0.00	0.10
Yield as of 28/29 February	%	4.0	3.6	3.9	0.0	2.0
Production						
Bioethanol	1,000 m³	1,149	1,030	837	1,056	884
Employees						
Number of employees (full-time equivalents)		414	412	416	432	430

** Including intangible assets*
*** Proposed*

CROPENERGIES AG MANNHEIM

Group Annual Report for 2017/2018
1 March 2017 to 28 February 2018

In the financial year 2017/18, CropEnergies AG has further strengthened its position as leading European ethanol producer. For us, is it particularly important to reconcile economics and ecology. We make this happen by sustainably producing high-quality products. A large part of the raw materials is converted into valuable food and animal feed products. As a substitute for fossil fuel, our ethanol reduces greenhouse gas and particulate matter emissions in the transport sector. We make the world a better place.

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The figures stated in brackets on the following pages refer to the same period in time in the previous year.

COMPANY PROFILE

CropEnergies AG Mannheim

- The leading producer and distributor of ethanol in Europe
- Production sites in Germany, Belgium, France and the UK and trading offices in the USA, Brazil, and Chile
- Largest ethanol producer in Germany and Belgium
- Ethanol plants have been certified as sustainable with at least 50 percent greenhouse gas savings
- Annual total capacity: approx. 1.3 million m³ of ethanol; >1 million tonnes of food and animal feed products; 100,000 tonnes of liquefied CO_2
- 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 2017/18: € 545 million
- Our aim: To ensure sustainable and renewable mobility for today and in the future

The products

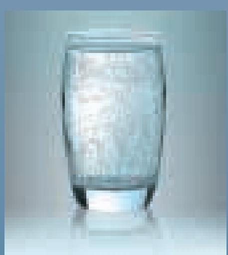
CropEnergies processes the raw materials into ethanol, which mainly replaces petrol, and into valuable, high-quality food and animal feed products.

Ethanol

- for fuel applications

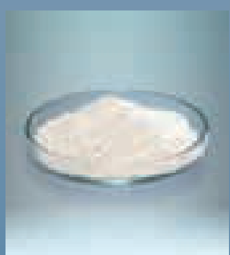
Ethanol

- for traditional and technical applications



Liquefied CO_2

- for food and industrial applications



Gluten

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

ProtiGrain®

- dried protein feed in pellet form for cattle, pigs and poultry

ProtiWanze®

- liquid protein feed for cattle and pigs

The sites

Wilton, Great Britain

Annual capacity

- 400,000 m³ ethanol for fuel applications
- 350,000 t DDGS

Raw materials

Wheat

Zeitz, Germany

Annual capacity

- 400,000 m³ ethanol for fuel and traditional applications
- > 300,000 t ProtiGrain® (DDGS)
- 100,000 t liquefied CO_2

Raw materials

Grain and sugar syrups

Loon-Plage, France

Annual capacity

- > 100,000 m³ ethanol for fuel applications
- 90,000 m³ ethanol for traditional and technical applications

Raw materials

Raw alcohol

Wanze, Belgium

Annual capacity

- 300,000 m³ ethanol fuel applications
- up to 60,000 t gluten
- > 400,000 t ProtiWanze®

Raw materials

Wheat and sugar syrups

LETTER TO SHAREHOLDERS

Dear Shareholders,

Following the successful previous years, we communicated at an early stage that operating profit in the past 2017/18 financial year would be good, but no match for the preceding record year. Our assessment was accurate: we were able to strengthen our position as the leading producer of sustainably produced ethanol in Europe by further increasing production and sales quantities. We have the high capacity utilisation rates of all our plants to thank for this. The market environment, however, was shaped by fluctuating ethanol prices. Although these were higher on a yearly average than in the past year, they were unable to offset less favourable raw material prices and revenues for protein-rich food and animal feed products as well as higher maintenance expense. Against this challenging background, the operating profit of € 72 million attests to our continuing high earnings power. What is more: an EBITDA of € 111 million enabled us to repay our net financial debt in full. As of 28 February 2018, we have net financial assets of € 37 million, which gives our future development the necessary flexibility.

Against this background, the executive board and supervisory board will propose to the annual general meeting that a dividend of € 0.25 per share be distributed.

Given that demand is expected to be only slightly higher, profit performance in the 2018/19 financial year will mainly be governed by ethanol price developments. Although the market gives rise to expectations of higher prices again in the further course of the year after starting from a low level at its beginning, we do not expect to be able to surpass the average level of the previous year. We therefore expect operating profit to range between € 30 and € 70 million and EBITDA to range between € 70 and € 110 million. The financial assets necessary for securing the company's future should therefore continue to increase.

What is more crucial for our sector than the short-term view is the long-term economic perspective and its contribution to clean mobility after 2020. At an European level, the political consultation between the European Parliament, Council and Commission on the new version of the "Renewable Energies Directive" has been in full swing since February 2018 by way of the so-called "trilogue" negotiations.

The Commission proposal of November 2016 did not contain any specific transport target, but made provision only for a minimum proportion of fuels from wastes and residues as well as electricity. The use of biofuels from arable crops, on the other hand, was to be gradually phased out. This is based on allegations that renewable fuels from arable crops lack necessary sustainability. Fact is, however, that European bioethanol from domestic agricultural raw materials is produced according to strict sustainability specifications and cuts greenhouse gas emissions by around 70%, compared with fossil petrol, certified by independent bodies for a number of years. Promoting alternative fuels from wastes and residues makes sense as long as it contributes to there being less oil on our roads. Intending to replace established renewable fuels by them, however, is irresponsible not only in terms of climate and energy policy, but also in terms of economic and industrial policy.

In the course of the discussions on the "Renewable Energies Directive", there have accordingly been signs of changes that will contribute to strengthening climate protection in the transport sector. With their recommendations of December 2017 and January 2018, respectively, Council and Parliament rightfully regard a specific transport target to which renewable fuels from domestic arable crops can also contribute as indispensable. We hope that the "trilogue" negotiations will remove the long-standing uncertainty before the year is out and finally be able to offer the industry a planning basis until the year 2030.

The know-how of established producers such as CropEnergies is particularly important here in evaluating new technologies, in investing and in reducing greenhouse gases in the future through sustainably produced, renewable fuels.

The success in the 2017/18 financial year is largely due to the great dedication and exceptional commitment of our employees. We express our sincere thanks to them for this.

And to you, dear shareholders, we express our sincere thanks for all your support and your trust in a cleaner mobility through better fuels.

Kind regards,



Joachim Lutz	Michael Friedmann	Dr. Stephan Meeder
Chief Executive Officer (CEO)	Chief Sales Officer (CSO)	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

Speyer
Member of the executive board of Südzucker AG

Dr. Hans-Jörg Gebhard

Eppingen
Chairman of the Association Süddeutscher Zuckerrübenanbauer e. V.

Dr. Wolfgang Heer

Ludwigshafen am Rhein
Chairman of the executive board of Südzucker AG

Franz-Josef Möllenberg

Rellingen
Former chairman of the Gewerkschaft Nahrung-Genuss-Gaststätten (Union)

Norbert Schindler

Bobenheim am Berg
President of the Chamber of Agriculture of Rhineland-Palatinate

Executive board

Joachim Lutz
Chief Executive Officer (CEO)

Mannheim

First appointed: 4 May 2006
Executive board spokesman since 30 April 2015
Appointed until: 3 May 2021

Departments: Production, business development, public relations, marketing, investor relations (until 31 May 2018), compliance and personnel

Michael Friedmann
Chief Sales Officer (CSO)

Mannheim

First appointed: 30 April 2015
Appointed until: 29 April 2020

Departments: Procurement, sales and logistics

Dr. Stephan Meeder
Chief Financial Officer (CFO)

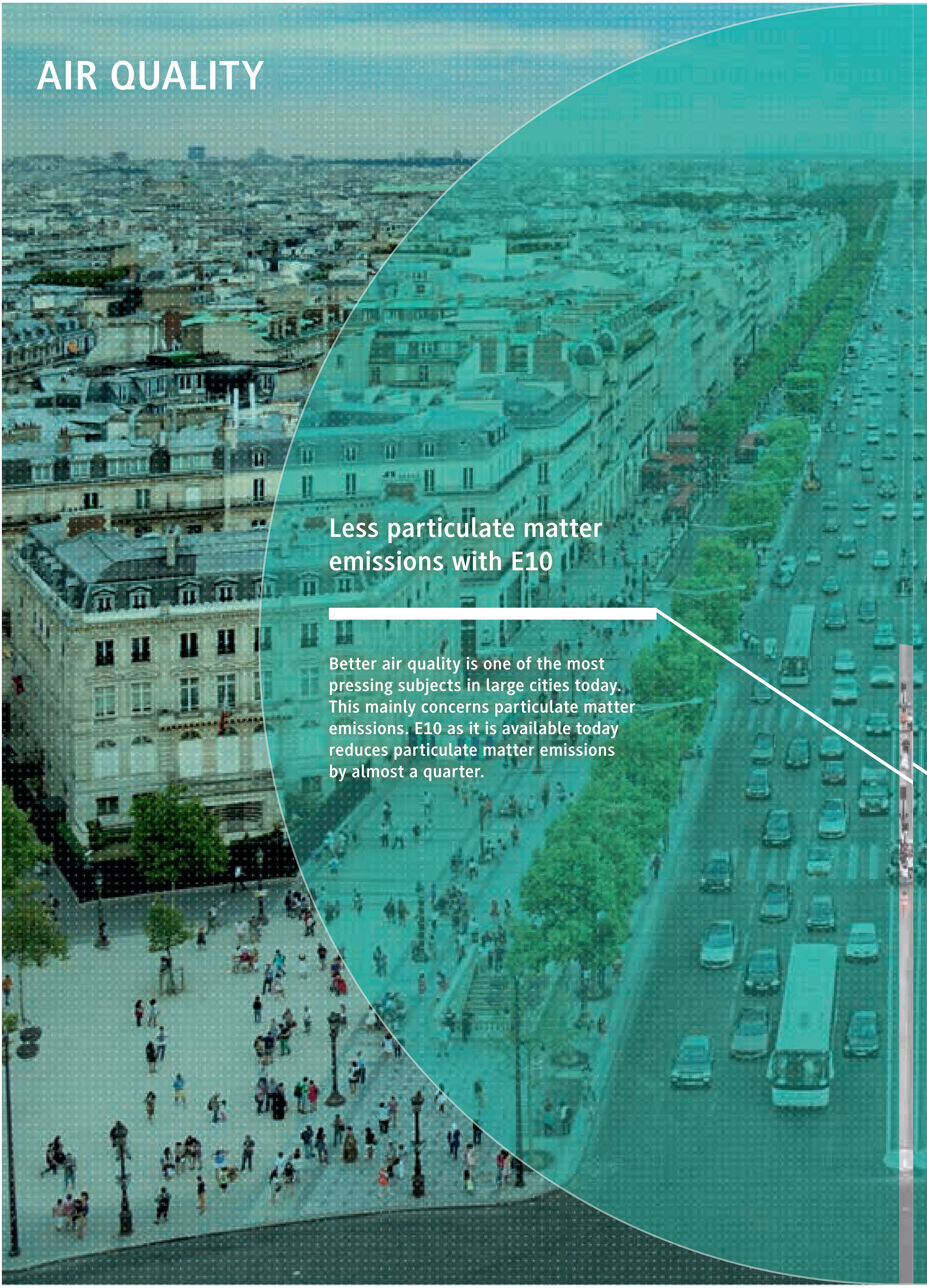
Mannheim

First appointed: 30 April 2015
Appointed until: 29 April 2020

Departments: Finance, accounting, taxes, controlling, investor relations (with effect from 1 June 2018), IT, risk management, and law

Dr. Stephan Meeder, Joachim Lutz, Michael Friedmann

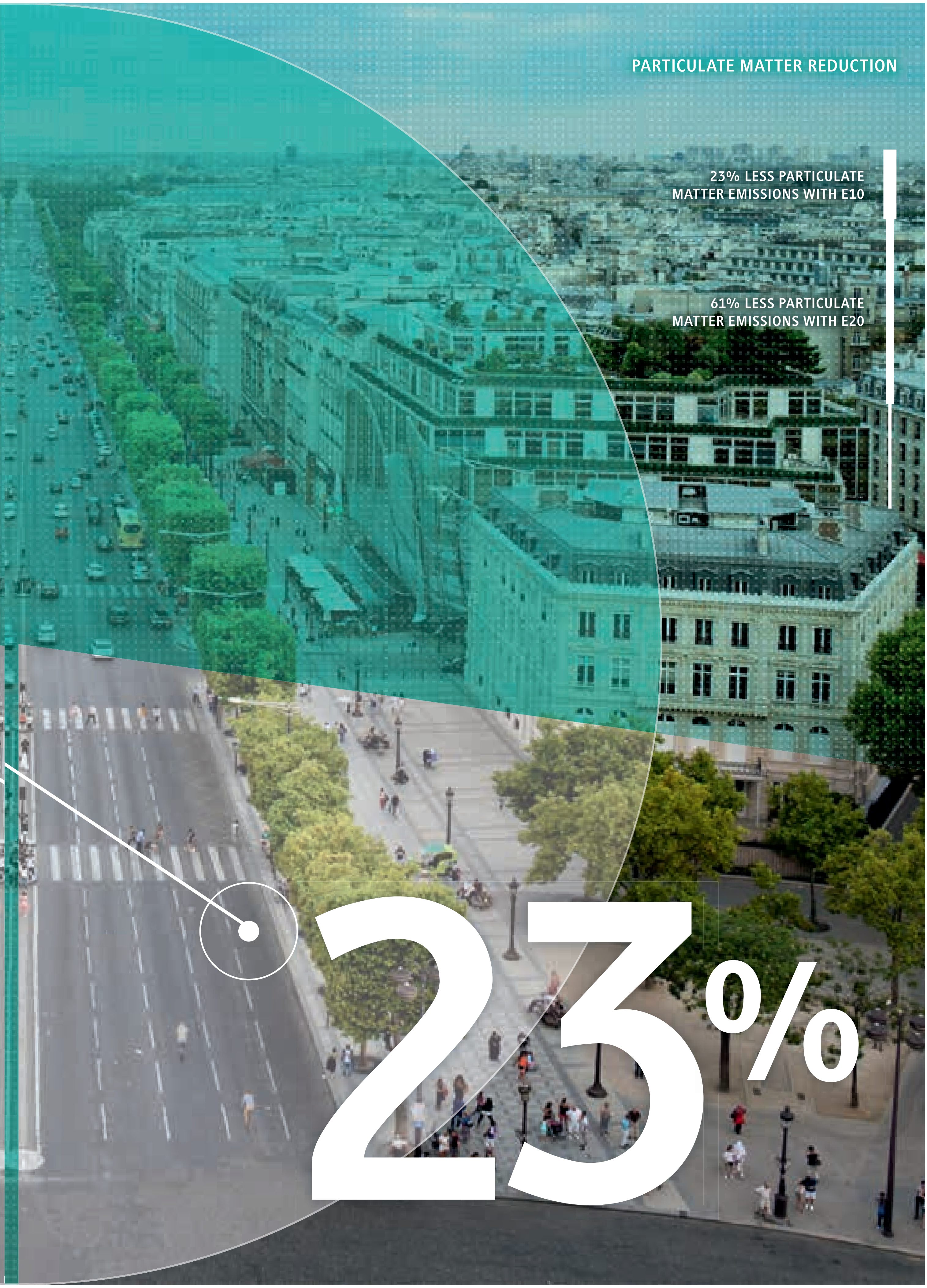
A list of mandates held can be found on page 128 onwards of the annual report.



AIR QUALITY

Less particulate matter emissions with E10

Better air quality is one of the most pressing subjects in large cities today. This mainly concerns particulate matter emissions. E10 as it is available today reduces particulate matter emissions by almost a quarter.



PARTICULATE MATTER REDUCTION

23% LESS PARTICULATE MATTER EMISSIONS WITH E10

61% LESS PARTICULATE MATTER EMISSIONS WITH E20

23%

SUPERVISORY BOARD REPORT

Dear Shareholders,

The past two financial years were remarkably successful for CropEnergies. With increasing production quantities and high capacity utilisation rates at all plants, CropEnergies succeeded in increasing market share and building up financial assets for the first time in the company's history. This provides the prerequisite for further investments. Yet the political discussion in Brussels about the type, scope and technology of renewable fuels still does not allow for a clear picture with regard to decisions. The supervisory board agrees with the executive board that secure foundations must be provided for this in the pending trilogue negotiations. The European Union's ambitious environmental policy objectives in respect of reducing the consumption of fossil fuels and increasing air quality cannot be implemented against, but only with, proven biofuels that are already established in the market.

The supervisory board concerned itself in depth 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 I 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 were important for the company were discussed in detail on the basis of the reports of the executive board.

The supervisory board chairman had regular contact with the executive board between the supervisory board meetings and kept himself 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 I Five ordinary meetings of the supervisory board, each of which was attended by the executive board, took place in the 2017/18 financial year. Following thorough review and discussion, the supervisory board agreed to all the resolution proposals of the executive board.

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

At its annual account meeting on **16 May 2017,** the supervisory board devoted its attention to the annual financial statements and management reports of CropEnergies AG and the consolidated group for 2016/17, 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. The supervisory board also prepared the 2017 annual general meeting and decided on the agenda and the resolution proposals. It addressed the proposal for the election of the independent auditor and, in particular, the nominations for the supervisory board election. Further agenda items related to the company's strategic orientation and specification of the gender quota in supervisory board and executive board. The supervisory board also approved the short- and medium-term investment planning and passed a resolution on the executive board's compensation structure.

At the meeting on **18 July 2017** (prior to the annual general meeting), the medium-term planning was presented.

At its meeting subsequent to the annual general meeting on **18 July 2017,** the newly elected supervisory board constituted itself. The chairman of the supervisory board and his deputy were re-elected and positions in the committees of the supervisory board filled.

At the meeting on **13 November 2017,** the supervisory board addressed the earnings projection for the 2017/18 financial year and the medium-term objectives of the European Commission, Council and Parliament in respect of climate protection in the transport sector. As is always the case at the November meeting, the supervisory board mainly focused on the issue of corporate governance and decided on the objectives in respect of the composition and the competence profile of the board as a whole. It conducted the annual review of the efficiency of its activities, adjusted the supervisory board's rules of procedure and approved the declaration of conformity for 2017. It also discussed organizing compliance.

At the meeting on **15 January 2018**, the updated earnings projection for the 2017/18 financial year was presented and the European Council's decision regarding the continuation of the European biofuel market until 2030 discussed.

Apologies for absence were received from one member of the supervisory board at the meeting on **15 January 2018.** One member of the supervisory board was connected to the meeting by telephone in one case. No member of the supervisory board attended only half or less than half of the meetings of the supervisory board or the committees.

Supervisory board committees I 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, Prof. Dr. Markwart Kunz and Franz-Josef Möllenberg belong, convened five times in the 2017/18 financial year, with individual members being connected by telephone in some cases. 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 **9 May 2017,** 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. The checklist and application guidelines for non-audit services by the auditor were also approved at this meeting.

At the meeting on **10 July 2017,** the audit committee discussed the interim report for the 1st quarter of 2017/18.

At the meeting on **18 July 2017** – subsequent to the annual general meeting –, the audit committee discussed the independent auditor's quotation for the audit of the annual financial statements and issued the mandate for the 2017/18 financial year.

At the meeting on **10 October 2017,** the audit committee discussed the interim report. At the supervisory board's instruction, the audit committee also addressed the monitoring of the financial reporting process as well as the effectiveness of the internal control system and the risk management system. It also focused on the internal audit system and the compliance management system. On 5 February 2018, the regular fraud discussion took place between the independent auditor and the chairman of the audit committee, with information being provided, and subsequent discussions held, with regard to the assessment of business risks and measures for limiting the fraud risk.

At the meeting on **8 January 2018,** the audit committee discussed the quarterly statement for the 3rd quarter of 2017/18.

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, Prof. Dr. Markwart Kunz and Franz-Josef Möllenberg belong, convened on 9 May 2017 to discuss in detail and draw up the list of candidates for election to the supervisory board for the annual general meeting on 18 July 2017.

The chairmen 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 I 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 13 November 2017. The objective is the continuous improvement of the activities of the supervisory board and its committees.

Corporate governance I 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 2017 issued jointly by the executive board and supervisory board, can be found in the declaration on corporate management on pages 69–72 of the corporate governance report. Additionally, all the relevant information is available on the CropEnergies website 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 I PricewaterhouseCoopers GmbH 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 2017/18 financial year, and the consolidated financial statements and the group management report for 2017/18, and has issued an unqualified audit opinion in each case. Furthermore, the independent 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. PwC has been auditing the consolidated financial statements and the separate financial statements since the 2006/07 financial year. Since the 2016/17 financial year, Michael Conrad has been the responsible independent auditor at PwC.

In light of the fact that, as of 28 February 2018, Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG), including the 69.2% of voting rights held by Südzucker AG, directly and indirectly holds 74.7% of 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 his 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 independent 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 8 May 2018 and at the supervisory board's annual account meeting on 14 May 2018, and reported in detail on the procedures and findings of his audit. After detailed discussions, the supervisory board noted and agreed with the independent 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 14 May 2018; 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 € 0.25 per share.

Personnel matters I There were no changes to the executive board in the 2017/18 financial year.

The term of office of all supervisory board members ended upon adjournment of the annual general meeting on 18 July 2017. All current members of the supervisory board were available for re-election and were each re-elected by the annual general meeting on 18 July 2017 for the period until adjournment of the annual general meeting that decides on approval for the 2021/22 financial year (i.e., until the adjournment of the ordinary annual general meeting in 2022).

The supervisory board wishes to express its thanks and appreciation to all employees and the executive board for the work that they have performed.

Mannheim, 14 May 2018
On behalf of the supervisory board

Prof. Dr. Markwart Kunz
Chairman

SHARE AND CAPITAL MARKET

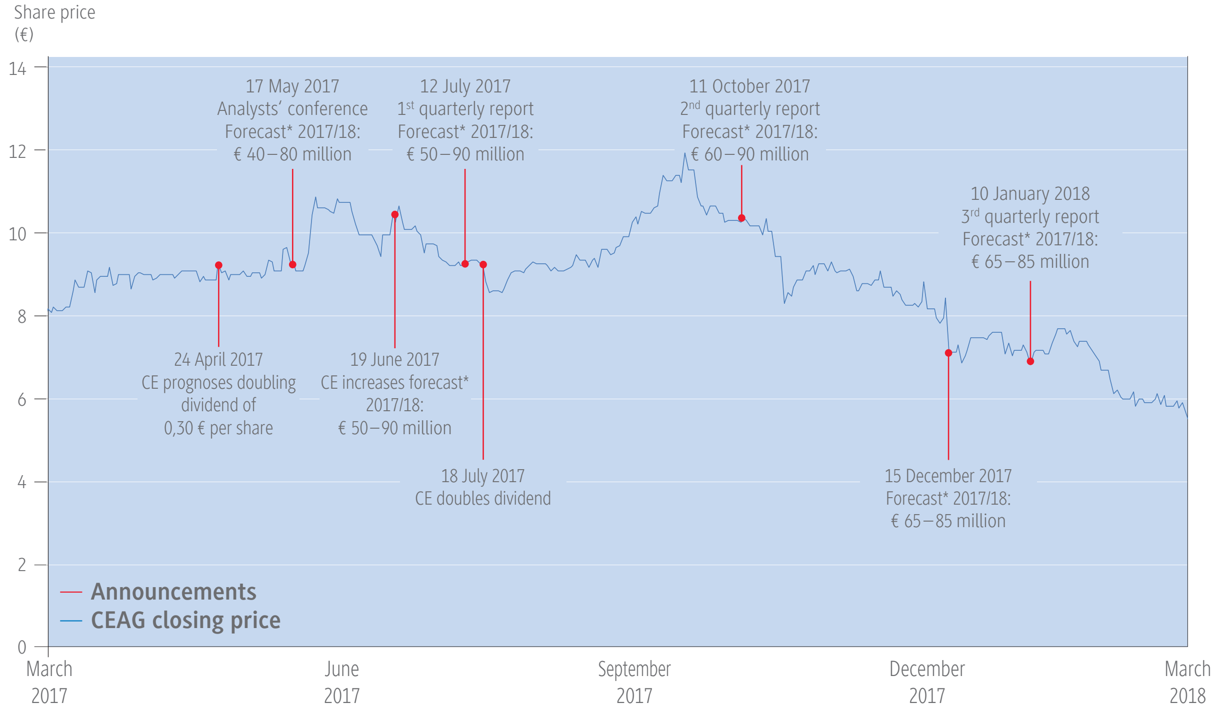
Capital market environment

DAX® and MDAX® started at 12,067 and 23,603 points, respectively, at the beginning of the reporting period on 1 March 2017. Driven by expectations of stimulus measures in the USA and the positive development of US American share markets, European share markets also reported significant price gains in the first few months of 2017. The election results in France and the Netherlands and the thereby diminishing political uncertainty about the European currency union reinforced the positive mood on the share markets. However, the appreciation of the euro and related concerns about Europe's export opportunities as well as expectations of a less expansive monetary policy resulted in falling share prices from mid-2017 onwards. In the autumn of 2017, the stock exchange climate improved again on the back of strong economic data in the euro zone, the European Central Bank's continuing wait-and-see attitude and prospects of a tax reform in the USA. The DAX® thus reached a historical high on 23 January 2018, at 13,560 points. Shortly before, on 19 January 2018, the MDAX® reached the highest level in its history, at 27,455 points. Ultimately, fears of rising inflation rates and interest rate hikes resulted in a price correction on the share markets. On 28 February 2018, DAX® and MDAX® were trading at 12,436 (11,834) and 26,275 (23,366) points, respectively, corresponding to a rise, in the reporting period, of 5% and 12%, respectively.

Performance of the CropEnergies share

After more than doubling in the previous year, the price of the CropEnergies share stood at € 8.28 on 28 February 2017. In connection with the record result in the 2016/17 financial year and the announcement of a doubling of the dividend to € 0.30/share, the share rose to € 10.70 at the end of May 2017. After an interim low of € 8.62 on 24 July 2017, the day of the dividend payout following the annual general meeting, the price increased again in view of a good business development, reaching a historical high of € 11.65 on 21 September 2017. In spite of a rise in profit in the 2nd quarter of the past financial year and a further raising of the forecast, falling ethanol prices and the political discussion about the configuration of the "Renewable Energies Directive" for the period after 2020 exerted pressure on the share price. By the end of the financial year, the price had declined again, closing at

Performance of the CropEnergies share



Performance of the CropEnergies share from 1 March 2017 until 28 February 2018 (XETRA® closing prices)
**Forecast applies to the expected group operating profit in each case*

€ 6.25 (28 February 2017: € 8.28) on 28 February 2018. Overall, therefore, including the dividend payout of € 0.30, there was a decline of 21%.

Long-term performance

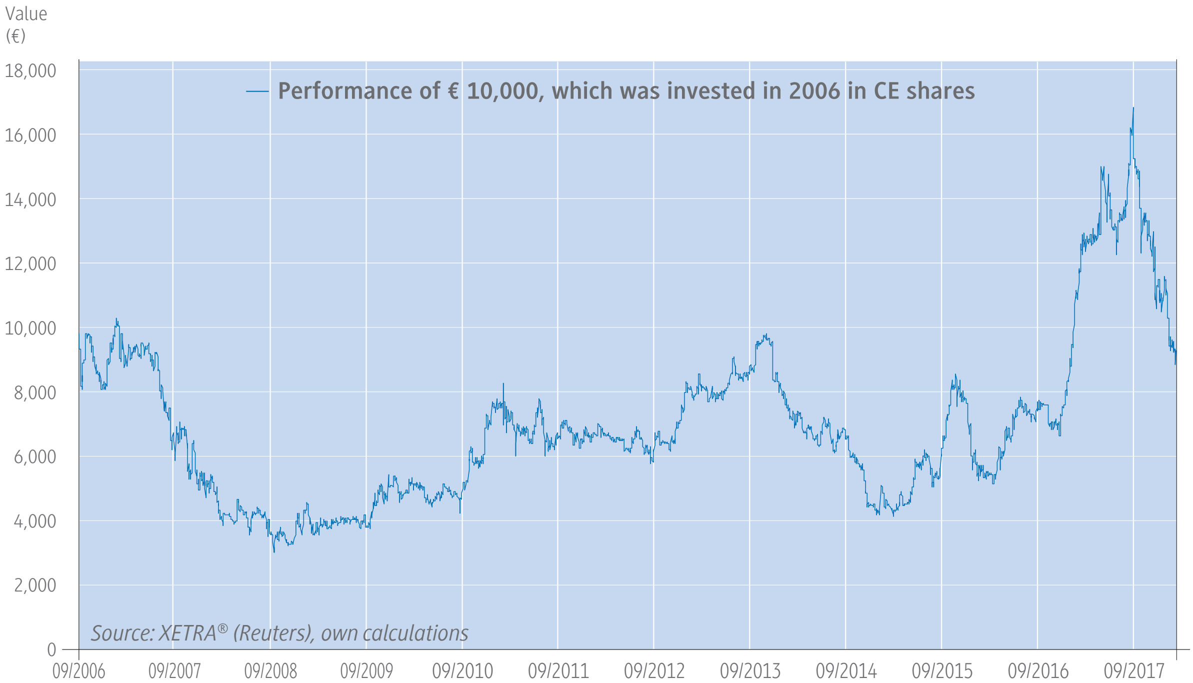
After the initial public offering at € 8 per share on 29 September 2006, the share price underwent marked fluctuations. From a low of € 2.04 in 2008, the share reached a high of € 11.65 in 2017. An investor who acquired CropEnergies shares for an amount of € 10,000 in the initial public offering in 2006 and has since reinvested all dividends (€ 1.19/share) in CropEnergies shares had Crop-Energies shares in the value of € 9,505 at his or her disposal on 28 February 2018.

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. As of 28 February 2018, Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG) directly holds 5.5% of CropEnergies shares as well as a further 69.2% indirectly via Südzucker AG. No other significant shareholdings have been reported. The share's free float is therefore 25.3%. At the time of the annual general meeting in 2017, CropEnergies shares were located in over 9,000 – mainly private – deposit accounts.

Annual general meeting 2017

Approximately 650 shareholders attended the annual general meeting held on 18 July 2017 in the Rosengarten Congress Centre in Mannheim. The shareholders present represented 86% of the capital and were mainly interested in the developments in the company in the 2017/18 financial year as well as the 2016/2017 annual statement. Discussions about the political framework and targets for biofuels in the EU for the period up to 2030 also attracted a great deal of attention. All the proposals put forward by the executive and supervisory boards, including the new election of the supervisory board, were passed by a majority of over 99%.



Performance of € 10,000, which was invested in CE shares at the time of the initial offering on 29 September 2006 with reinvestment of dividends (XETRA® closing prices)

Dividend proposal 2018

The executive board and supervisory board will propose to the annual general meeting on 17 July 2018 that a dividend of € 0.25 be distributed. An amount of € 21.8 million is therefore expected to be paid out to shareholders. Based on a closing price of € 6.25 on 28 February 2018, that corresponds to a dividend yield of 4.0%.

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 (69.2%), Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (5.5%), free float (25.3%)

Key figures

		2017/18	2016/17
Financial year-end closing price	(€)	6.25 (28/02/2018)	8.28 (28/02/2017)
High	(€)	11.65 (21/09/2017)	8.44 (19/02/2017)
Low	(€)	6.15 (27/02/2018)	3.42 (08/04/2016)
Market capitalisation at financial year-end	(in € million)	545	723
Average daily turnover	(number of shares)	96,874	59,907
Earnings per share according to IAS 33	(€)	0.58	0.79
Dividend per share	(€)	0.25*	0.30

** Proposal*

Source: Deutsche Börse AG, XETRA® Daten

Market capitalisation and turnover

CropEnergies had a market capitalisation of € 545 million as of the reporting date on 28 February 2018. The volume of all CropEnergies' shares traded on all the German stock exchanges in the past financial year amounted to 27 (15) million shares. That corresponds to an average daily turnover of approximately 107 (60) thousand shares.*

Investor relations

CropEnergies provides timely and transparent information, particularly via its website www.cropenergies.com. Among other things, interested parties will find financial reports, press releases and capital market law notices (e.g., managers' transactions and the publication of MAR inside information) as well as the financial calendar. In addition, the website contains presentations for the capital market. 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 clarified the company's business development and corporate strategy at analyst and capital market conferences as well as road shows. The quarterly results were reported on through conference calls, recordings of which can be downloaded from the homepage. The investor relations department is also available for an exchange of information by telephone.

** 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 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 m³ of bioethanol a year. Most of the production is used as renewable fuel. Up to 60,000 m³ can also be processed into high-quality food-grade neutral alcohol. In addition, it is possible to produce 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 m³ of bioethanol. In addition, up to 60,000 tonnes of gluten and more than 400,000 tonnes of ProtiWanze® can be produced per year. BioWanze generates a large part of the required process energy from the husks of the delivered wheat grain (bran) using an innovative energy concept.

Ensus UK Ltd has a plant with an annual capacity of approximately 400,000 m³ of bioethanol and 350,000 tonnes of protein animal feed in Wilton (United Kingdom). In addition, up to 250,000 tonnes of biogenic CO_2 from fermentation can be supplied to a liquefaction plant, which refines it for the food industry, in particular.

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 m³ of neutral alcohol. The annual capacity for the dehydration of raw alcohol, especially for the fuel sector, is more than 100,000 m³ 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_2. It operates a production plant in Zeitz for the purification and liquefaction of biogenic CO_2 from bioethanol production from the neighbouring CropEnergies plant. The plant has an annual capacity of 100,000 tonnes of liquefied CO_2, 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 to ensure 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, focusing on a responsible, efficient and beneficial use of all raw materials used and their components. The products produced aim to improve the quality of life for the present generation while safeguarding that of future generations. As the leading European bioethanol producer, 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.

CropEnergies' wide product portfolio includes bioethanol, the world's No. 1 biofuel, which is produced from the starch or sugar content of renewable raw materials. As a climate-friendly substitute for petrol, bioethanol is proven to reduce greenhouse gases, conserves the world's finite fossil resources, and thus furthers future mobility. CropEnergies produces protein-rich food and animal feed products, which also contain valuable dietary fibres, fats, minerals and vitamins, from the remaining components of the raw materials used. These products have a high nutritional value and make an important contribution to reducing European import requirements for vegetable proteins, particularly soy from North and South America. CropEnergies therefore 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.

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 in biorefineries and their marketing. What is crucial here is the extensive know-how across the entire bioethanol as well as food and animal feed value chain – from crop growing to production through to transport, marketing and customer counselling. With its innovative production facilities, CropEnergies sets standards in terms of technology, efficiency and flexibility. 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. The growing demand for energy and food calls for the efficient use of agricultural raw materials. This also presents a future opportunity 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. An essential 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 means reconciling ecology, economics and social responsibility. This is the main 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 increasingly gearing their purchase of fuel ethanol to proven greenhouse gas savings.

Fuel ethanol production for the EU 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 ensure that natural resources are used prudently 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.

CropEnergies' sustainability strategy
CropEnergies gears its activities along the entire value chain, from agricultural raw materials to the finished product, to sustainability.

It pays particular attention to the following aspects:

- Resource-saving use with regard to the selection of raw materials
- Full utilisation of raw materials used through processing of all components into high-quality products
- 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 the 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.

Main areas of activity
CropEnergies focuses on the following areas of activity:

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

* Not checked by an auditor

Procurement of agricultural raw materials

CropEnergies' sustainability activities begin as early as the upstream stages of the value chain, particularly in respect of the safeguarding and documentation of the procurement of sustainably produced agricultural raw materials. CropEnergies uses only agricultural raw materials 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, which 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 stipulate, for example, that the raw materials must not be grown in sensitive areas such as first-growth forests (e.g., rainforest) or in areas of high biological diversity. 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 sustainability criteria is laid down in the contracts with raw material suppliers and is confirmed by means of appropriate certificates.

Environmental and energy aspects in production

Principles of production

It is the aim of CropEnergies, in processing agricultural raw materials into ethanol, food and animal feed products, to minimise resource requirements, energy use and possible environmental impact whilst observing the highest quality standards. Innovative manufacturing processes are developed and deployed in production. CropEnergies has the advantage of being integrated into the Südzucker Group's network of sites. For example, a product portfolio including sugar, molasses, sugar beet pulp, calcium fertiliser, glucose, gluten, bran, fuel ethanol, neutral alcohol, DDGS and biogenic carbon dioxide is being produced from sugar beet and grain in a total of five 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 and are audited on an annual basis. The certifications ensure that fuel ethanol produced by CropEnergies fulfils the sustainability criteria of the "Renewable Energies Directive", cutting, for example, at least 50% of greenhouse gas emissions compared with fossil fuels.

CropEnergies goes one step further in saving resources: thanks to its integrated production concepts, the raw materials used are refined into high-grade products in the best possible manner. CropEnergies produces protein-rich food and animal feed products, which also contain valuable dietary fibres, fats, minerals and vitamins, from the non-fermentable contents of the raw materials. These products have a high nutritional value and make an important contribution to reducing European import requirements for vegetable proteins, particularly soy from North and South America. CropEnergies therefore 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 a result, little or no waste remains from the production process.

Studies show that the production of European bioethanol from domestic feed grain 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 would be utilised in South America for the cultivation of sugar cane and soybean. Bioethanol from EU production therefore takes the strain off 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 in special plants, replacing carbon dioxide of fossil origin in beverage manufacture, for instance.

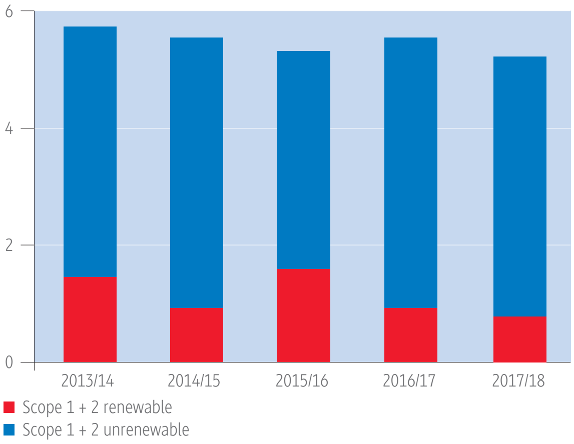
Energy and emissions

Highly efficient CHP plants and multiple energy use, which reduces fuel input, are the key components of energy management. These simultaneously lower the emissions of air pollutants and greenhouse gases that affect climate and improve the sustainability of the products produced.

The requirements of the "Energy Efficiency Directive" have been implemented at all CropEnergies' production sites as well as in administration. 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, industry-specific agreement to improve energy efficiency ("accord de branche"). CropEnergies AG in Mannheim successfully conducted the energy audit in accordance with DIN EN 16247-1.

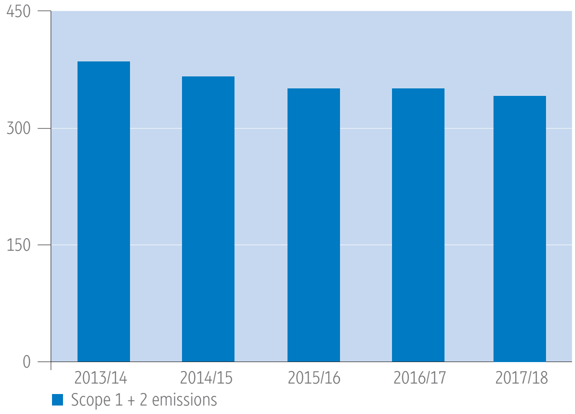
Energy use

(Gigajoules per tonne of main products and co-products)



Emissions

(Kilogram of CO_{2eq} per tonne of main products and co-products)



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 flexibility of the plants means that CropEnergies is able to adjust raw material use to the respective market conditions, with the quality and availability of agricultural raw materials being largely determined by the weather and hence the growth conditions prevailing at any one time.

The proportion of renewable fuels used is around 24%. At Wanze, a large part of the thermal and electric process energy required is produced in a biomass plant directly from the husks of the delivered wheat grain, the bran. At Zeitz, the biomethane (sewage gas) produced in the sewage treatment plant is being converted into electrical and thermal energy in a block CHP plant, thereby reducing the demand for fossil fuels.

Water withdrawal and water discharge

A hallmark of all sites is that water is used and discharged in a sustainable manner. Fresh water needs are reduced to a minimum by recycling and hence multiple use of the water deployed.

Water withdrawal/water discharge

m^3/t[1]	2013/14	2014/15	2015/16	2016/17	2017/18
Water withdrawal	4.2	3.7	4.0	3.1	2.8
Water discharge	2.6	2.3	2.6	3.1	2.5

[1] Main products and co-products

Where waste water arises, in-plant waste water treatment plants ensure that the waste water is treated in an environmentally responsible manner. The water that has been cleaned is returned to neighbouring rivers.

Waste

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

Waste materials

Thousand of tonnes	2013/14	2014/15	2015/16	2016/17	2017/18
Recycling	85.1	73.5	67.4	68.8	73.8
Composting	7.4	8.5	9.2	7.8	8.7
Landfill	0.0	0.0	1.0	1.5	1.6
Incineration	0.7	0.5	0.4	0.4	2.1
Other	0.4	0.5	1.0	0.5	0.7
Total	**93.6**	**83.0**	**79.0**	**79.0**	**86.9**

Most of the waste materials (97%) are recycled, composted or used to produce energy. Less than 0.1% of the waste materials are hazardous waste, mainly in the form of used lubricants from production.

Product responsibility, quality and safety

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. Corresponding countermeasures are initiated immediately, where required.

Other essential elements of quality management relate to long-term supplier relationships and detailed raw material specifications, 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.

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 (quality management), REDcert EU (renewable fuels), IFS Food (food) and GMP+ (animal feed). In addition, individual product groups and production sites have further specific certificates, such as kosher or halal, in accordance with particular customer requirements.

Social responsibility

Economic sustainability and responsibility for rural 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. The study determined the so-called economic footprint using, among other things, gross value added and employment effects associated with the business activity of CropEnergies that particularly manifest themselves in rural areas. According to the study, ethanol production in Zeitz and Wanze involves direct and indirect value creation effects of around € 550 million a year or more than 70 cents a litre of ethanol produced. The overall employment effects (direct and indirect) totalled more than 11,000 jobs. That means that, for every job, almost fifty jobs were created in other companies. This far above average value is mainly due to the close dovetailing with regional agriculture. By contrast, crude oil imports from third countries contribute far less to employment 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' biorefineries is geared to avoiding emissions. The sites are therefore located in the vicinity of large grain-growing areas, sugar factories, water routes and railways. This shortens transport routes or enables deliveries to be made in an environmentally friendly manner, mostly via sea or rail. In Wanze, for example, around 70% of the raw materials used are delivered via sea. The plant in Zeitz is, in turn, part of the network for sugar and starch production of Südzucker AG and is connected to the latter via pipeline.

On the sales side, end customers are mostly supplied via sea or rail, which are climate-friendly.

Working conditions and human rights

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 highest 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 behave in line with the requirements set out in these policies. CropEnergies has added specific regulations to the generally applicable corporate compliance principles.

Safety-at-work
Safety-at-work and health protection are 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, which is due, not least, to the cooperation of all employees.

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 are taken as required. Continuous improvement objectives and measures derived from them are systematically reviewed and the effectiveness of the implemented measures assessed on a regular basis.

CLIMATE PROTECTION

Improvement of greenhouse gas savings in the last 10 years

European ethanol producers have made significant progress in reducing greenhouse gas emissions in the last decade. Today, every litre of European ethanol saves on average 70% of the greenhouse gases compared to petrol.


IMPROVEMENT OF GREENHOUSE GAS SAVINGS
52% GREENHOUSE GAS SAVINGS 2009
55% GREENHOUSE GAS SAVINGS 2012
70% GREENHOUSE GAS SAVINGS 2017
70%

RESEARCH AND DEVELOPMENT

Highlights

In a technology-oriented field of activity like that of CropEnergies, research and development have high priority. CropEnergies' research and development activities are conducted by the Central Research, Development and Service Department of Südzucker AG. Tasks and projects are handled on behalf of and in close consultation with CropEnergies.

The issues handled cover the entire value chain. Numerous topics were handled, ranging from agricultural raw materials to the process technology for the production of bioethanol and co-products through to participation in standards bodies for new, innovative and sustainable fuels.

In the case of raw materials such as food and animal feed products, the main focus was on analytical and quality-related issues, whereas, in the case of neutral alcohol, mainly technological aspects and sensory issues regarding product quality were to the fore.

The focus in the area of process technology was on monitoring technological measures in the biorefineries for increasing ethanol yield and process stability as well as on formulating and implementing concepts for reducing the specific primary energy demand.

In order to be prepared for any changes to the political framework, further concepts for using alternative raw materials, such as lignocellulosic materials, in the production of bioethanol were evaluated.

In cooperation with universities and technology providers, various projects for utilising ultra-pure CO_2 from fermentation were initiated using renewable electricity to produce energetically usable and chemical valuable substances.

The research, development and services performed for CropEnergies in the 2017/18 financial year were settled on the basis of a service agreement concluded with Südzucker AG. In the past financial year, a total of € 1.6 (1.3) million was spent on research and development.

Optimisation of raw material processing and fermentation process

The constant testing of new enzymes and yeasts in terms of efficiency and cost-effectiveness remains an important part of research activities. The goal here is to continually optimise ethanol yields from raw materials employed.

New, non-GMO yeasts have been tested on a laboratory scale in a research project with an industrial partner, showing extremely positive effects on bioethanol yield. The cooperation is now pressing further ahead with yeast optimisation in terms of parameters specific to raw material and plants. In addition to the biotechnological activities, new technologies for optimising starch decomposition have also been tested. A very promising solution has already been implemented on an industrial scale as part of a factory trial. Initial results indicate not only an improvement in starch decomposition, but also a reduction in energy use. The aim in the 2018/19 financial year is to use an extensive investigation programme to test the integration of this new decomposition technology at other sites.

Optimisation of production plants

Technical and technological measures already enabled specific energy consumption to be significantly lowered in all biorefineries in the past. This route is being pursued further; for example, methods that enable various material flows arising to be de-watered more efficiently than previously are currently being investigated. In Wanze, the aim is for an improved connection of the individual process areas to contribute to the energy-efficient optimisation of the plant.

In Wilton, improved operating performance and increased process stability made it possible to analyse further potential for optimisation. This includes studies on more efficient enzyme use, further increases in fermentation rate and the optimisation of animal feed drying.

Service for neutral alcohol

The raw material and the purity of the end product are particularly important in the neutral alcohol production process. If the alcohol is to be used in food or in pharmaceutical and cosmetic industry products, its odour and taste neutrality are also crucial quality parameters. An intensive investigation programme into assessing the influence of various drying media on the sensory properties of neutral alcohol was successfully completed.

The high quality of the neutral alcohol produced by both production sites was confirmed in a broad-based analytical and sensory investigation programme. Based on these data, harmonised customer information was prepared, thereby giving rise to the possibility of making high-quality neutral alcohol from both Zeitz and Loon-Plage flexibly available for delivery to customers.

Quality management for food and animal feed

The safety concepts (HACCP) and quality levels produced for all of CropEnergies' animal feed and food products are continuously reviewed and updated. The relevant analytical monitoring data is evaluated to this end and summarised in quality reports. The high quality standard within the CropEnergies Group are ensured by uniform inspection plans, the central specification of analytical methods, regular training courses for laboratory employees and internal laboratory audits.

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 bioethanol, petrol and fuel blends. In the 2017/18 financial year, CropEnergies continued to focus on the E85 standardisation process at European level, which contains important technical elements that are also relevant to the future standardisation of fuels such as E20 which have an ethanol content of more than 10 vol.-%.

New product and production concepts

The processing of protein-containing side-streams for additional food applications is of major interest to CropEnergies. Additional usable products can be obtained from the material flows by using innovative processes and technologies in order to increase value creation and improve sustainability. Concepts for coupled utilisation pathways for the energy-based and material use of side-streams continue to be pursued, both in cooperation with technology providers and in publicly funded projects.

The EU "PROMINENT" project is investigating the extraction of functional proteins from the side-streams of bioethanol production. Within the Bio-based Industries (BBI) Joint Technology Initiative, concepts for producing new protein products for food applications are being investigated in a project consortium involving European partners from industry and academia. Three process concepts in respect of product performance, cost-efficiency and sustainability have been assessed in this connection. Initial functional proteins soon to be tested in various food applications have already been produced.

A further research focus is the material transformation of CO_2. The "ZeroCarb FP" project funded by the Federal Ministry of Education and Research (BMBF), which was initiated as part of the "Industrial Biotechnology Innovation Alliance", is pursuing, among other things, the material use of carbon dioxide from bioethanol fermentation. The focus is on developing a cultivation method for a microorganism that binds CO_2 and supplies intermediate chemical products. The bio-based chemicals obtained in this way can be used as an alternative to petrochemical products. The first phase developed a laboratory-based biotechnology process that provided promising results. These laboratory results are now being verified in a larger plant using fermentation CO_2.

Several projects within these "power-to-X" approaches have been initiated in the context of CO_2 utilisation combined with electricity from renewable sources for hydrogen production. Depending on microorganism or catalytic system, these methods are resulting in valuable chemicals that can be converted into energy, act as a fuel additive or used as "bio-based chemical raw materials".

Further studies and investigations into the use of residual materials as alternative sources of raw materials have been carried out. Concepts involving lignocellulosic materials have also been investigated as part of these evaluations.

Bioethanol as a chemical raw material

In the context of downstream bioethanol chemistry, CropEnergies is pursuing concepts for extracting C4 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. The current project phase has set up a pilot plant for a continuous process to further optimise reaction control in order to be able to provide a better assessment of the cost-effectiveness of such a process.

EMPLOYEES

The CropEnergies Group is an international employer in a young, constantly evolving industry. As a member of the Südzucker Group, CropEnergies and its employees benefit, in particular, with regard to employee development and the opportunities made available by a large, multinational company.

Number of employees

A total of 414 (412) employees were employed in the CropEnergies Group as of 28 February 2018 (expressed as full-time equivalents).

There has been little or no change in employment by region compared with the previous year. Around 40% of employees continue to be employed in Germany. The remaining 60% are spread across sites in Belgium, the United Kingdom, France and Chile.

Number of employees (full-time equivalents)

	2017/18	2016/17
Number of employees by region		
Germany	168	165
Other European countries	239	240
Other countries	7	7
	414	**412**
Number of employees by category		
Wages earners	198	198
Salary earners	216	214
	414	**412**

Employment relationships and proportion of women

Around 92% of employees in the CropEnergies Group are employed on permanent contracts, with only 8% having fixed-term contracts. Gender is irrelevant in the recruitment and development of employees. Although CropEnergies operates in an extremely technology-oriented environment in which the proportion of female employees and applicants is still relatively low, the proportion of women in the core workforce stood at 22.2% (21.8%) at the end of the 2017/18 financial year.

The work-life balance is becoming increasingly important. Accordingly, the sites employ various support measures for employees such as increasing the flexibility of working time through flexitime and part-time models or providing some opportunities for teleworking.

Training

A company's success and development depend to a significant extent on its employees' know-how and commitment. They are the basis of CropEnergies' position as the leading ethanol producer in Europe today. That is also why staff training and development are important to CropEnergies. As CropEnergies is a member of an international group, its employees have an opportunity to participate in the training and qualification programmes of the Sudzücker Group. This includes, for example, the vocational training of young people who are pursuing various apprenticeships or trainee programmes within the Südzucker Group. CropEnergies employees also take part in the international and cross-functional exchanges within the Südzucker Group.

CropEnergies continued to provide various internal and external continuous training measures to enable employees to acquire the skills to handle changed conditions and requirements in today's world of work. These were specially tailored to CropEnergies, particularly Sales and Purchasing, or took place in the context of events held by the Südzucker Group.

At the event for managers that takes place over several days every year, managers in the CropEnergies Group again discussed the company's strategic orientation and future development in the 2017/18 financial year. The event also aims to improve networking between management and to provide an opportunity for an exchange of knowledge and experience across the boundaries of individual sites.

Internal suggestion scheme

Numerous employees took part in the internal suggestion scheme in the 2017/18 financial year, with most of the suggested improvements being allocated an award. By submitting suggestions, employees demonstrated a commitment to the company that goes beyond everyday activities.

Safety-at-work

Safety-at-work and health protection have high priority in the CropEnergies Group and make a significant contribution to the company’s sustainable success. Additional information about safety-at-work can be found in the chapter on sustainability.

Responsible employer

In its dealings with employees, CropEnergies aligns itself with the standards of an international company. Its binding code of conduct prohibits discrimination, harassment, child labour and forced labour and is committed to freedom of association, health, and safety-at-work. Flexible working times, the possibility of teleworking and codes of conduct regarding, for example, availability are designed to help to protect the health of employees and to make CropEnergies more attractive as an employer. While requirements on employees continue to rise, there is increased competition for highly qualified personnel. CropEnergies intends to leverage all possibilities here.

Acknowledgement

The performance and dedication of its employees are the determining factors in the CropEnergies Group's success. Again in the past financial year, they showed great commitment in working for the corporate success and further development of the CropEnergies Group, resulting in our company also being well equipped for the future. The executive board wishes to express its sincere thanks to all employees and looks forward to continuing the successful collaboration with them.

INVESTMENTS

In the 2017/18 financial year, capital expenditure on property, plant and equipment increased to € 19.3 (16.1) million. Of the total, € 9.5 million was invested at BioWanze SA, € 7.4 million at CropEnergies Bioethanol GmbH, € 1.7 million at Ensus UK Ltd and € 0.5 million at Ryssen Alcools SAS. In addition, a sum of € 0.2 (0.0) million was invested in intangible assets.

Investing activities at CropEnergies Bioethanol GmbH focused, in the 2017/18 financial year, on increasing plant availability. To this end, several distillation units were replaced or repaired. Activities to modernise and expand the animal feed loading operation were completed. During the reporting period, measures for optimising energy management and waste water treatment were successfully implemented or launched. Apart from increasing plant availability, these measures serve to further increase energy efficiency and reduce servicing and maintenance requirements. One of the features of the biorefinery in Zeitz is its high raw material flexibility, which will be further increased in the 2019/20 financial year.

Investing activities at BioWanze SA focused on the expansion of gluten production, which was completed and taken into operation in the 2017/18 financial year. Further measures served to reduce downtimes when carrying out maintenance activities and hence to increase plant availability. The remaining investments were made in the area of rectification, among other things.

At Ensus UK Ltd, further measures were taken to increase process stability and energy efficiency and to lower the consumption of additives. The focus was on measures for stabilising the production pf protein-rich animal feed and improved heat integration to reduce the need for primary energy.

Ryssen Alcools SAS invested in the modernisation and expansion of neutral alcohol production in the 2017/18 financial year. To this end, machines as well as the measurement and control technology were modernised. Furthermore, Ryssen pressed ahead with the automation of the plant.

REPORT ON THE ECONOMIC POSITION

Overall assertion on business performance

In a market environment shaped by volatile ethanol prices, CropEnergies succeeded in further strengthening its position as the leading producer of sustainably generated ethanol in Europe. It again significantly increased its production and sales quantities in comparison with the previous year. Taking the production plant in Wilton back into operation particularly contributed to this, which unlike in the 2016/17 financial year, was in operation during the entire year. Furthermore, the plants at all sites were operated at high capacity utilisation rates, apart from the maintenance phases.

CropEnergies again achieved a pleasing result, which, as expected, was however unable to reach the previous year's record level. Higher net raw material costs due to higher raw material prices and a lower revenue level for protein food and animal feed products reduced earnings. Year-on-year higher costs from maintenance and lower ethanol prices in the final months of the financial year were an additional factor here. CropEnergies' good earnings situation enabled it to reduce net financial debt completely and to build up net financial assets.

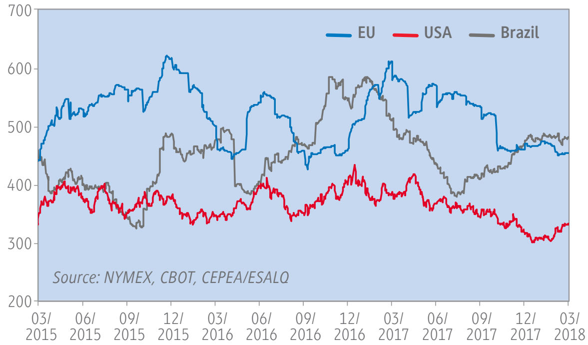
Report on business operations

Developments on the international ethanol market

World | In 2017, world production of bioethanol rose to 117.2 (116.0) million m³. Around 84% of this figure continued to be earmarked for the fuel sector and 16% for beverages, cosmetics and medical or industrial applications. Global production of fuel ethanol, at 98.9 (97.4) million m³, is equivalent to a share of around 5% of the global petrol market. In 2018, global bioethanol production is expected to increase further to 119.2 (117.2) million m³, with the rise set to take place mainly in the fuel area, with anticipated production of 100.5 (98.9) million m³.

USA | In the USA, bioethanol production rose to 61.5 (59.5) million m³ in 2017. With domestic consumption of 56.1 (55.5) million m³, net exports increased to 5.0 (4.3) million m³ in the light of higher stocks. According to initial estimates for 2018, production, at 61.6 (61.5) million m³, is expected to be at the previous year's level. Given domestic consumption of 56.9 (56.1) million m³, net exports, at 4.8 (5.0) million m³, are expected to continue at a high level. As a result of the continuing production surplus, the one-month futures contract for ethanol on the Chicago Board of Trade (CBOT) declined from US$ 1.55/gallon at the beginning of March 2017 to US$ 1.47/gallon at the end of February 2018. Taking the exchange rate development into account, this was equivalent to a decline of around € 390/m³ to around € 320/m³. As crude oil and fossil fuels simultaneously rose in price, ethanol acquired competitiveness in the USA. The US crude oil grade West Texas Intermediate (WTI) was trading at US$ 62 (54)/barrel at the end of February 2018.

International bioethanol prices (€/m³)



Brazil I Bioethanol production in Brazil in the 2017/18 sugar year, at 27.9 (27.8) million m³, is expected to be slightly above the previous year's level. Domestic demand is expected to amount to 28.0 (27.5) million m³. Owing to a largely balanced supply situation, there continued to be no major net exports of ethanol. A mostly balanced supply situation is also expected in the 2017/18 sugar industry financial year. Brazilian ethanol prices, which rose by 14% in domestic currency, declined from around € 530/m³ at the beginning of March 2017 to € 490/m³ at the end of February 2018, due to exchange rate effects. Over the course of the year, prices had initially eased to the equivalent of around € 380/m³ by the beginning of July 2017 only to rise again due to tax measures, lively domestic demand and restrictions on ethanol imports from the USA.

EU I Ethanol production (including alcohol for traditional and technical applications) amounted to 7.3 (7.0) million m³ in the EU in 2017. The increase is mainly due to higher production of fuel ethanol, which, after several plant closures in the previous year, recovered again to 5.1 (4.7) million m³. Domestic ethanol consumption rose to 7.7 (7.6) million m³, with fuel ethanol accounting for 5.2 (5.2) million m³. Allowing for lower stocks, net imports are expected to decline to 0.3 (0.4) million m³. The anticipated demand of 7.8 (7.7) million m³ of ethanol is also expected to be largely covered by domestic production of 7.6 (7.3) million m³ in the 2018 calendar year.

came into line with international trends. An additional factor was the increasing speculation, in the course of the year, about a higher supply of ethanol from sugar beet due to the discontinuation of the EU sugar market system.

In Germany, the largest market for bioethanol in the EU, fuel ethanol consumption in 2017 remained at the previous year's level of 1.5 (1.5) million m³. E10 sales stood at 2.3 (2.3) million tonnes. This meant that E10's share of the petrol market as a whole reached around 12% in 2017.

Developments on the raw material and animal feed markets

Grain markets I According to its forecast for the 2017/18 grain year published on 10 April 2018, the US Department of Agriculture (USDA) expects world grain production (excluding rice) of 2,075 (2,116) million tonnes. While it does not quite expect the previous year's record level to be achieved, global stocks, at 496 (518) million tonnes, are expected to be at a very comfortable level, given world grain consumption of 2,097 (2,092) million tonnes.

The European Commission expects the EU to have a higher grain harvest of 307 (297) million tonnes in the 2017/18 grain year. Consumption is expected to be largely at the previous year's level, at 285 (284) million tonnes. A significant production surplus is therefore also expected for the 2017/18 grain year. In line with the high availability of grain, the one-month futures contract for milling wheat on the Euronext in Paris

million m³	2018	2017	2016	2015	2014
Opening stock	2.0	2.1	2.4	2.4	2.4
Production	7.6	7.3	7.0	7.3	7.4
Import	0.5	0.5	0.6	0.7	0.7
Consumption	7.8	7.7	7.6	7.8	7.9
Export	0.3	0.2	0.2	0.2	0.3
Final stock	2.1	2.0	2.1	2.4	2.4

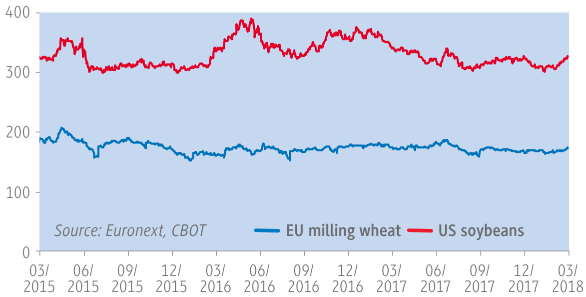
Source: F.O.Licht (2017, 2018)

In Europe, ethanol prices declined from around € 600/m³ FOB Rotterdam at the beginning of March 2017 to around € 460/m³ at the end of February 2018. European prices thus declined from € 174/tonne at the beginning of March 2017 to € 167/tonne at the end of February 2018.

The International Grain Council (IGC) forecasts global grain production of 2,087 (2,092) million tonnes in the 2018/19 grain year as of 1 July 2018. Grain consumption is expected to continue to rise to 2,134 (2,109) million tonnes. Global grain stocks at the end of 2018/19 are accordingly expected to decline to 560 (606) million tonnes.

For the 2018/19 grain year, the European Commission expects 305 million tonnes of grain to be harvested in the EU. Grain demand is set to remain stable, at 286 million tonnes, with most grain (over 60%) also expected to be used for animal feed products as before. By comparison, the starch content of only around 13 million tonnes of grain or around 4% of the EU harvest will be used for the production of fuel ethanol. In view of the fact that low-quality grain, which can scarcely be considered for export, is mainly processed in the biorefineries for ethanol production, the bioethanol industry will contribute to reducing market pressure and securing agricultural incomes in this segment again in 2018/19.

International agricultural prices (€/t)



Sugar markets I In the 2018/19 sugar year, production of white sugar, at 193 (194) million tonnes and consumption, at 187 (184) million tonnes, are expected to stay virtually the same. As a result, stocks are expected to be topped up to 81 (76) million tonnes. In expectation of a further production surplus, the white sugar futures contract (next expiry date) declined significantly on the ICE in London, falling from the equivalent of around € 500/tonne at the beginning of March 2017 to around € 300/tonne at the end of February 2018.

The previous market conduct framework in the EU containing sugar quota rules and minimum sugar cane prices ended with effect from 30 September 2017. The European Commission expects EU sugar production to increase to 22 (18) million tonnes in the 2017/18 sugar year that has been in progress since 1 October 2017. The increased production, which is due to both an expansion in growing areas and increases in yields, will be reflected, in particular, in lively export activity on the part of European sugar producers. As a result of this development, the EU will again go from a net importer to a net exporter of sugar.

Protein markets I During the production of ethanol from grain, only the starch contained in the corn is converted into alcohol. CropEnergies processes any additionally contained components, among other things, into protein-rich food and animal feed products, which also contain valuable vitamins, minerals and dietary fibres. The prices of these products are particularly affected by the price level of soy on the world market and rapeseed meal prices in Europe.

According to the USDA, the global soybean harvest in 2017/18 will fall short of the previous year's record, at 335 (351) million tonnes. As a result, stocks are expected to decline to 91 (97) million tonnes. The one-month soybean futures contract on CBOT, at US$ 10.45/bushel* was slightly over the level of US$ 10.40/bushel at the beginning of March 2017. European rapeseed meal prices followed this trend, remaining nearly unchanged in comparison with the beginning of March 2017 with € 224 (223)/tonne at the end of February 2018. The EU rapeseed harvest for 2017/18 is also expected to have slightly increased to 22 (20) million tonnes.

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

Developments in the political environment

Current framework in the EU | In the EU, the "Renewable Energies Directive" and the "Fuel Quality Directive" are paving the way for more sustainability and climate protection in the transport sector. The proportion of renewable energies in this sector is set to increase to 10% by 2020, with renewable fuels from arable crops certified as sustainable being able to account for up to 7%. The remaining 3% are to be achieved by means of fuels from wastes and residues or renewable electricity used in rail and road transport, which benefit additionally from double or multiple counting towards the renewable energies target in the transport sector. Biofuels must comply with strict sustainability criteria in the EU. This includes the provision of proof that greenhouse gas emissions have been reduced across the entire value chain. With effect from 1 January 2018, the minimum greenhouse gas reduction has been raised from 35 wt.-% to 50 wt.-%. In addition, complete documentation of the origin of the raw materials used for the biofuel production must be provided.

The "Fuel Quality Directive" stipulates that, by the year 2020, there needs to be a reduction in greenhouse gases of 6 wt.-% compared with the base value of 94.1 g CO_2eq/MJ. In relation to a litre of petrol, that is equivalent to greenhouse gas emissions of around 3 kg CO_2eq. By comparison, sustainably produced ethanol from European raw materials reduces greenhouse gas emissions by around 70 wt.-%.

2030 climate and energy package | On 30 November 2016, the European Commission proposed a new version of the "Renewable Energies Directive" for the period after 2020. It states that the proportion of renewable energies in the EU is to rise to at least 27% by 2030. No specific target is, however, envisaged for the transport sector. The aim is merely to achieve a gradual increase in the proportion of specific alternative fuels, mainly from wastes and residues as well as e-mobility, from 1.5% in 2021 to 6.8% in 2030. The use of renewable fuels from arable crops, on the other hand, is to fall, as of 2021, from 7% to a maximum of 3.8% in 2030.

On 18 December 2017, the Council of the European Union agreed on a standpoint with regard to the Commission proposal and will negotiate with the European Parliament on the final directive text on this basis. According to this, the proportion of renewable energies in the transport sector should increase to at least 14% in every member state by the year 2030, with renewable fuels from arable crops continuing to be allowed to contribute up to 7%. Renewable fuels from wastes and residues are to be promoted by means of a minimum proportion rising to 3% by 2030 and double counting towards the transport target. The Council's position envisages the quintuple counting of electricity from renewable sources as an incentive for its increased use in road transport.

On 17 January 2018, the European Parliament also adopted a position with regard to the Commission proposal. According to its position, the share of renewable energies in the EU should be at least 35% in 2030. It envisages a specific target of at least 12% of renewable energy in the transport sector. According to the intentions of the MEPs, the contribution of renewable fuels from arable crops should largely be kept at the level of 2017. However, the use of palm oil-based biofuels should no longer be permitted from 2021 onwards. The proportion of selected alternative fuels, mainly from wastes and residues as well as e-mobility is to rise up to a minimum of 10% in 2030, with electricity from renewable sources in road transport being weighted with a multiplier factor of 2.5.

The adoption of a new version of the "Renewable Energies Directive" requires the agreement of the European Parliament and Council, which commenced their deliberations with the involvement of the European Commission (so-called "trilogue") in February 2018.

In contrast to the Commission proposal, changes that will improve climate protection in the transport sector are becoming apparent in the discussions that have been held hitherto in the European Parliament and Council. Together with associations at national and European level, CropEnergies is campaigning for sustainably produced renewable fuels to be able to be used even after 2020. It is therefore gratifying to note that both the Parliament and the Council are in favour of a minimum proportion of renewable energies in the transport sector and its increase by the year 2030. Furthermore, renewable fuels from arable crops should continue to be able to contribute to lowering the consumption of fossil fuels and improving the climate footprint of fuels. Based on this, CropEnergies supports the promotion of renewable fuels from wastes and residues insofar as they help to further reduce fossil fuel consumption as an additional alternative. On the other hand, any attempt at substituting established renewable fuels with other alternative fuels would be irresponsible both in terms of climate and energy policy and in terms of economic and industrial policy, as this would merely increase the consumption of fossil fuels from imported crude oil.

Germany I In Germany, a greenhouse reduction target has applied since 1 January 2015 to overall fuel consumption compared with fossil fuels. This target has been 4.0 wt.-% since 1 January 2017. There are plans to increase this to 6.0 wt.-% from 2020 onwards. Specific greenhouse gas reduction is a crucial competitive characteristic of renewable fuels in Germany. Biofuel producers' efforts to lower greenhouse gas emissions have resulted in the specific greenhouse gas reductions of renewable fuels increasing, in the meantime, to around 77 wt.-% compared with fossil fuels.

The entry into force of the 38th Ordinance for Implementing the Federal Immission Control Act (38th Federal Immission Control Ordinance – BImSchV) on 1 January 2018 transposed European specifications set out in the "Fuel Quality Directive" and the "Renewable Energies Directive" into national law. For example, it fixed the greenhouse gas base value at 94.1 g CO_{2eq}/MJ (previously 83.8 g CO_{2eq}/MJ), thereby bringing it into line with real emissions caused by the burning of fossil fuels. Furthermore, it limited the energy component of renewable fuels from arable crops to 6.5% in the transport sector. The proportion of renewable fuels from wastes and residues is to rise again from 0.05% in 2020 to 0.5% from 2025 onwards.

Belgium I In Belgium, the ethanol proportion in petrol fuels has been, on average, at least 8.5 vol.-% since 1 January 2017. This regulation also brought about the extensive market launch of E10, which established itself in a very short space of time as the standard petrol fuel in Belgium.

United Kingdom I In the United Kingdom, it was decided, in the context of an amendment to the blending obligation for renewable fuels ("Renewable Transport Fuel Obligation" or RTFO), to raise the proportion of renewable energies in fuels from 4.75 vol.-% to 7.25 vol.-% with effect from April 2018. The proportion of renewable fuels is to increase gradually to 9.75 vol.-% in 2020 and, in further increments, to 12.4 vol.-% from 2032 onwards. In addition to renewable fuels from arable crops, which are initially allowed to contribute up to 4 vol.-% towards the achievement of the target up to 2020 before gradually decreasing this contribution to 2 vol.-% from 2032, the use, in particular, of renewable fuels from wastes and residues as well as renewable fuels for particular uses (e.g., air transport) is to be expanded. The decarbonisation process is to be viewed independently of the British people's decision to leave the EU ("Brexit"). The United Kingdom has committed to this as part of the Paris Climate Agreement. In addition, the aim of lowering greenhouse gas emissions by at least 80% compared with 1990 by the year 2050 has already been laid down by law in the "Climate Change Act" since 2008.

France I In France, the use of biofuels is being promoted by energy-based blending obligations of 7.5% in the petrol sector and 7.7% in the diesel sector. In addition, biofuels from waste materials and residues are, to a limited extent, counted 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. This brought about a further increase in E10's share of the French petrol market, which stood at around 42% (38%) at the end of 2017. Despite the discussion at EU level, France has made it a legal requirement for the proportion of renewable energies in the transport sector to rise to 15% by 2030. France is thereby demonstrating that ambitious targets for renewable energies are also indispensable in the transport sector after 2020.

Developments within the CropEnergies Group I In the 2017/18 financial year, CropEnergies recorded an above-average business performance, which, however, was no match for the previous year's record result. It significantly increased its production and sales quantities in comparison with the previous year. The year-round operation at the same time as the high capacity utilisation rate at Wilton made a particular contribution to this increase. It was also possible to generate higher revenues for ethanol on the whole. Higher raw material prices and an overall lower revenue level for protein food and animal feed products, however, reduced earnings. Further costs resulted from maintenance measures, particularly at the sites in Zeitz and Wanze.

Production I CropEnergies' biorefineries, with their broad range of products covering not only sustainably produced ethanol, but also protein-rich food and animal feed products, all achieved high capacity utilisation rates in the 2017/18 financial year. As a result, ethanol production increased significantly to 1,149,000 (1,030,000) m³. The higher utilisation of overall capacity also meant that more food and animal feed products were produced. The production of dried food and animal feed products rose to 662,000 (574,000) tonnes.

The increase in production is primarily due to the year-round operation of the plant in Wilton at the same time as a virtually continuously high capacity utilisation rate. In the previous year, the plant had not been taken into operation until July 2016 following technical modifications and the capacity utilisation rate had been gradually increased. At Zeitz and Wanze, more extensive maintenance and optimisation activities were due compared with the previous year. Nevertheless, production was still increased at Wanze. Additional capacities in the gluten area were the main contributory factor with regard to the increase in production.

The plant for the production of high-quality neutral alcohol that was taken into operation at the beginning of 2015 enables CropEnergies to process up to 60,000 m³ of alcohol annually at the Zeitz location, for applications outside the fuel sector. CropEnergies made use of this in line with market conditions, increasing the production of neutral alcohol. Higher production of neutral alcohol was also achieved at Loon-Plage.

Only agricultural raw materials of European origin continue to be processed at Zeitz, Wanze and Wilton. CropEnergies' procurement management attaches great importance to sourcing feed grain and sugar syrups locally, thereby minimising freight costs.

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 demonstrate that the bioethanol produced meets the sustainability criteria of the "Renewable Energies Directive" and achieves high greenhouse gas reductions compared with petrol.

Bioethanol sales I Total sales of bioethanol rose significantly as a result of the increase in production quantities and traded commodities. Sales totalled 1,277,000 (1,153,000) m³, with traded commodities accounting for 151,000 (140,000) m³.

CropEnergies' customer base includes both international and medium-sized oil companies. In addition to securing its market position in Germany, CropEnergies focused on stronger regional diversification in the 2017/18 financial year. With the tank storage facilities at its production sites as well as in Rotterdam, Duisburg and Amsterdam, CropEnergies ensures that customers can be supplied flexibly, reliably and at favourable freight rates.

Over the past few years, CropEnergies has expanded its activities in segments outside the fuel market. Well-known companies in the beverage, cosmetics, pharmaceutical and chemical industries are customers of neutral alcohol. With the plants for producing high-grade, food-quality neutral alcohol in Zeitz and in Loon-Plage, CropEnergies has attractive sales opportunities in these traditional market segments. The sale of neutral alcohol was also supported by Ryssen Chile SpA.

Sales of food and animal feed products I Thanks to its integrated production concept, CropEnergies is able not only to make full use of the mainly regionally sourced raw materials, but also to break them down into their components, particularly carbohydrates, proteins and fats as well as dietary fibres, minerals and vitamins, and to process them into a variety of products in line with requirements. As a result, CropEnergies has a broad portfolio of protein-rich food and animal feed products in liquid and dried form. These products from GMO-free raw materials have now established themselves as a key cornerstone of European protein supply, thereby contributing to lowering soy imports from North and South America. CropEnergies thereby not only produces a sustainable alternative to imports of crude oil from domestic raw materials, but also reduces the supply gap for vegetable proteins that exists in Europe.

In line with the higher production volume and a higher grain content in the raw material mix, sales of dried food and animal feed products rose to 651,000 (564,000) tonnes in the 2017/18 financial year.

Results of operations, financial position, assets and liabilities

Results of operations

€ thousands	2017/18	2016/17
Revenues	**881,963**	**801,736**
EBITDA*	**110,821**	**134,759**
EBITDA margin in %	*12.6%*	*16.8%*
Depreciation*	-39,161	-37,197
Operating profit	**71,660**	**97,562**
Operating margin in %	*8.1%*	*12.2%*
Restructuring costs and special items	-816	-3,880
Income from companies consolidated at equity	-75	189
Income from operations	**70,769**	**93,871**
Financial result	-944	-4,111
Earnings before income taxes	**69,825**	**89,760**
Taxes on income	-19,016	-20,981
Net earnings for the year	**50,809**	**68,779**
Earnings per share, diluted/undiluted (€)	**0.58**	**0.79**

** Without restructuring costs and special items*

Group revenues I CropEnergies again significantly increased business volume in the 2017/18 financial year due to the high utilisation rate of all its production plants, with the higher production at the Wilton plant, which had been taken back into operation in July 2016, having a particular impact. The increased production resulted in higher sales volumes of internally produced bioethanol and food and animal feed products. The trading business was slightly expanded at the same time.

The ethanol prices obtained on a yearly average were slightly above those achieved in the previous year, but fell well short of the previous year's very high level in the last few weeks of the financial year. The sales markets for food and animal feed products were showed diverging trends, with DDGS, the highest-volume product, recording lower revenues than in the previous financial year even.

On balance, revenues rose by 10% to € 882 (802) million. Further details on revenue development can be found in the "Report on business operations" section.

EBITDA I As expected, CropEnergies' earnings situation in the 2017/18 financial year remained below that of the preceding record year. Higher costs for raw materials and, on balance, lower revenues for food and animal feed products resulted in an increase in net raw material costs. In conjunction with only slightly higher ethanol revenues, this gave rise to a decline in the gross margin for each unit sold.

As maintenance periods also caused higher expenses than in the previous year, the materials expense ratio increased to 76.7% (73.1%) of overall performance. The described expansion in volume was unable to offset this, resulting in a decline in EBITDA, adjusted for special items, to € 110.8 (134.8) million.

Operating profit / restructuring and special items I Allowing for a rise in depreciation to € 39.2 (37.2) million, the decline in EBITDA, adjusted for special items, also resulted in a decrease in operating profit to € 71.7 (97.6) million. Based on revenues, this gives rise to an operating margin of 8.1% (12.2%). At € 0.8 (3.9) million, CropEnergies incurred much lower restructuring costs and special items in the 2017/18 financial year than in the previous year.

Income from operations I Income from operations, as the sum of operating profit, earnings from entities consolidated at equity and special items, reached € 70.8 (93.9) million.

Net financial result I The financial result improved, due to the now positive net financial position, to € -0.9 (-4.1) million.

Taxes on income I Earnings before taxes declined to € 69.8 (89.8) million. Expenditure of € 19.0 (21.0) million was posted for taxes on income in the reporting period. Of this, € 20.4 (17.1) million were current tax expense.

Net earnings I Consolidated net earnings for the year amounted to € 50.8 (68.8) million.

Earnings per share I Based on an unchanged figure of 87.25 million no-par-value shares, that translates into earnings per share of € 0.58 (0.79).

Financial position

Statement of changes in financial position

€ thousands	2017/18	2016/17
Gross cash flow	89,609	107,168
Change in net working capital	2,171	-21,817
Net cash flow from operating activities	**91,780**	**85,351**
Investments in property, plant and equipment and intangible assets	-19,502	-16,055
Investments in acquisitions	-500	0
Cash received on disposal of non-current assets	262	213
Investment subsidies received	15	0
Cash flow from investing activities	**-19,725**	**-15,842**
Cash flow from financial activities	**-49,459**	**-63,513**
Change in cash and cash equivalents due to exchange rate changes	279	-28
Increase in cash and cash equivalents	**22,875**	**5,968**

As a result of the reduction in EBITDA to € 110.8 (134.8) million, cash flow also declined to € 89.6 (107.2) million. Including the change in net working capital, cash flow from operating activities amounted to € 91.8 (85.4) million.

The cash outflow from investing activities increased to € 19.7 (15.8) million and was mainly attributable to investments in property, plant and equipment. The investments particularly served to develop, and make improvements in, the production plants.

Financial liabilities were repaid in full, with the receipt of financial liabilities amounting to € 12.5 (10.4) million being offset by repayments of € 35.8 (60.8) million. Furthermore, a dividend of € 26.2 million was paid in July 2017. This resulted in a net cash outflow from financing activities of € 49.5 (63.5) million.

Investments | In the 2017/18 financial year, capital expenditure on property, plant and equipment increased to € 19.3 (16.1) million. Of the total, € 9.5 million was invested at BioWanze SA, € 7.4 million at CropEnergies Bioethanol GmbH, € 1.7 million at Ensus UK Ltd and € 0.5 million at Ryssen Alcools SAS. In addition, a sum of € 0.2 (0.0) million was invested in intangible assets.

Assets and liabilities

Total assets were € 5.6 million below the previous year's level at € 592.3 (597.9) million. Shareholders' equity rose to € 445.7 (425.8) million thanks, in particular, to the gratifying earnings situation. The CropEnergies Group's equity ratio reached 75% (71%).

ASSETS

€ thousands	28/02/2018	28/02/2017
Non-current assets	406,830	428,650
Current assets	185,463	169,270
Total assets	**592,293**	**597,920**

LIABILITIES AND SHAREHOLDERS' EQUITY

€ thousands	28/02/2018	28/02/2017
Shareholders' equity	445,678	425,777
Non-current liabilities	46,978	65,225
Current liabilities	99,637	106,918
Total liabilities and shareholders' equity	**592,293**	**597,920**
Net financial assets (+) / net financial debt (-)	36,874	-9,285
Debt to cash flow ratio	n/a	0.1
Equity ratio	75.2%	71.2%
Net financial debt in percent of equity	n/a	2.2%

Non-current assets declined by € 21.8 million to € 406.8 million as of 28 February 2018, with fixed assets, in particular, decreasing by € 22.3 million to € 402.4 million as a result of scheduled depreciation and allowing for investments. This amount includes goodwill of € 6.1 (5.6) million. Deferred tax assets increased by € 0.6 million to € 2.5 million. Furthermore, the interest in entities consolidated at equity declined by € 0.1 million to € 1.9 million. Shareholders' equity and non-current liabilities cover 122% (116%) of fixed assets.

Current assets rose by € 16.2 million year over year to € 185.5 million, with cash and cash equivalents, in particular, rising by € 22.9 million to € 36.9 million. Trade receivables and other assets declined by € 9.5 million to € 75.3 million. This also includes the positive mark-to-market values from derivative hedging instruments of € 0.2 (1.9) million and receivables in the form of ring-fenced credits for hedges of € 6.8 (6.4) million. Furthermore, inventories increased by € 2.9 million to € 66.0 million and tax assets declined by € 0.1 million to € 7.3 million.

Non-current liabilities declined by € 18.2 million to € 47.0 million, with non-current financial liabilities of € 15.3 million, in particular, being completely reduced. Deferred tax liabilities decreased by € 1.8 million to € 22.6 million. Furthermore, provisions for pensions and similar obligations declined by € 0.8 million to € 21.7 million and other provisions by € 0.3 million to € 2.5 million, due to the higher discount rate. Other liabilities were virtually unchanged, at € 0.2 million.

Current liabilities declined by € 7.3 million to € 99.6 million, with current financial liabilities of € 8.0 million, in particular, being completely reduced. By contrast, other provisions increased by € 4.1 million to € 16.8 million. Trade payables and other liabilities declined by € 3.7 million to € 70.6 million. This also includes the negative mark-to-market values from derivative hedging instruments of € 3.4 (2.1) million. In addition, current tax liabilities rose slightly by € 0.3 million to € 12.2 million.

The **net financial position** as at 28 February 2018 shows **net financial assets** of € 36.9 million (as at 28 February 2017: net financial debt of € 9.3 million). The net financial assets consist exclusively of cash and cash equivalents.

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 2017/18 declined to 15.7% (20.1%), mainly due to the reduction in operating profit. Capital employed declined to € 458 (484) million. This was mainly due to the decline in fixed assets caused by scheduled depreciation and taking investments into account, as well as the slight fall in working capital. Capital expenditures of € 20 (16) million were below depreciation of € 39 (39) million.

€ thousands	2017/18	2016/17	2015/16	2014/15	2013/14
Operating profit	**71,660**	**97,562**	**86,695**	**-11,233**	**35,002**
Property, plant and equipment*	396,301	419,135	447,176	475,232	472,519
Goodwill	6,095	5,595	5,595	5,595	5,595
Working capital	55,434	59,567	43,142	43,191	71,186
Capital employed	**457,830**	**484,297**	**495,913**	**524,018**	**549,300**
Return on capital employed (ROCE)	15.7%	20.1%	17.5%	-2.1%	6.4%

** 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 28 February 2018.

€ thousands	2017/18	2016/17	2015/16	2014/15	2013/14
Debt factor					
Net financial assets (+) / net financial debt (-)	36,874	-9,285	-65,678	-150,148	-134,674
Cash flow	89,609	107,168	87,265	5,285	50,858
Debt to cash flow ratio	n/a	0.1	0.8	28.4	2.6
Debt equity ratio					
Net financial assets (+) / net financial debt (-)	36,874	-9,285	-65,678	-150,148	-134,674
Shareholders' equity	445,678	425,777	367,215	331,660	395,344
Net financial debt in percent of equity	n/a	2.2%	17.9%	45.3%	34.1%
Equity ratio					
Shareholders' equity	445,678	425,777	367,215	331,660	395,344
Total assets	592,293	597,920	591,476	643,914	666,305
Equity ratio in percent	75.2%	71.2%	62.1%	51.5%	59.3%

The improved capital structure in the 2017/18 financial year was mainly due to a strong cash flow, which made it possible to reduce financial liabilities completely and build up net financial assets. Shareholders' equity increased due to net earnings.

- The equity ratio increased to 75% (71%).
- The debt-to-equity ratio, which relates net financial debt to equity, reached 2% in the previous year. As at 28 February 2018, net financial debt no longer exists.
- The debt ratio, as the percentage of net financial debt to cash flow, reached a value of 0.1 in the previous year. As of 28 February 2018, no net financial debt is available.

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	2017/18	2016/17	2015/16	2014/15	2013/14
Operating profit	71,660	97,562	86,695	-11,233	35,002
Net earnings for the year	50,809	68,779	42,647	-58,043	12,006
Cash flow	89,609	107,168	87,265	5,285	50,858
Earnings per share (€)	0.58	0.79	0.49	-0.67	0.14
Dividend per share (€)	0.25*	0.30	0.15	0.00	0.10
Total dividend per share (€)	0.25*	0.30	0.15	0.00	0.10
Payout ratio	43.1%	38.0%	30.6%	0.0%	71.4%

** Proposed*

Proposed appropriation of profit

CropEnergies Group's consolidated net earnings for the year (according to IFRS) amounts to € 50.8 (68.8) million. After an allocation of € 15.5 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, reached € 22.2 million.

The executive board and supervisory board will propose to the annual general meeting on 17 July 2018 that, from the unappropriated profit of CropEnergies AG of € 21.8 million, a corresponding dividend of € 0.25 per share be distributed and the remaining unappropriated profit of € 0.4 million be carried forward.

Actual and forecast business performance

Outlook 2017/18		17 May 2017 Annual report 2016/17	19 June 2017 Inside information Article 17 of MAR 2017/18	11 October 2017 Interim report 1st half 2017/18	15 December 2017 Inside information Article 17 of MAR 2017/18	Actual 2017/18	Actual 2016/17
Revenues	€ million	Revenue growth to between € 800 and € 875 million	Revenue growth to between € 850 and € 900 million	Revenue growth to between € 880 and € 920 million	Revenue growth to between € 880 and € 920 million	882	802
Operating profit	€ million	plus 40 and plus 80	plus 50 and plus 90	plus 60 and plus 90	plus 65 and plus 85	72	98

The table above compares the actual performance in the 2017/18 financial year with the forecast for the 2017/18 financial year published in the 2016/17 annual report and the 2017/18 interim financial reports/quarterly statements. The date indicated in each case relates to the publication date.

The inside information in question is published on the Investor Relations pages of the CropEnergies website at www.cropenergies.com.

OUTLOOK

Macroeconomic climate and industry-specific environment

According to the European Commission's 2018 winter forecast, the EU economy is growing more strongly than at any time over the past ten years. Following growth of 2.4% in 2017, the robust growth in the EU is also expected to continue in 2018 and 2019, at 2.3% and 2.0%, respectively. This is due to both continuing robust demand on the part of private households in Europe and an unexpectedly vibrant upturn in the global economy and global trade. Furthermore, high capacity utilisation rates and favourable terms of financing are likely to continue to give a boost to investments. Risks to growth prospects may arise, among other things, due to the uncertain outcome of the Brexit negotiations and geopolitical tensions.

Ethanol markets

In the EU, ethanol consumption in 2018 (including traditional use) is expected to rise slightly to 7.8 million m³. This demand is expected to be largely covered by domestic production of 7.6 million m³. Despite this pleasing development, the EU member states are still far from fully utilising the potential of sustainably produced ethanol to provide a rapid and cost-efficient alternative to fossil fuels and to improve air quality. A significant expansion in the use of renewable energies in the fuel sector instead requires the introduction of E10 across Europe, which has been heralded for years. According to the European Commission, E10's share of the petrol market is currently still around 10%.

In terms of the 2018/19 financial year, CropEnergies expects ethanol prices to recover, as the year progresses, from the very low level at the beginning of the year but, on the whole, to be below the previous year's level. This assessment is based on the expectation that the actual demand for bioethanol will increase moderately in the EU as a result of the higher blending obligations in individual EU member states. However, the utilisation of European ethanol capacities can be expected to continue at a high level. Likewise, no significant price recovery is expected at international level, as a continued high production surplus is anticipated in the USA, in particular, with correspondingly high US American net exports.

Grain markets

The USDA expects world grain production (excluding rice) of 2.1 billion tonnes in 2017/18 and hence another good harvest, which, however, will not quite reach the previous year's record level. Global stocks, at 496 million tonnes, are set to continue at a very comfortable level. Owing to the temporary sharp fall in grain prices, however, a moderate price increase cannot be ruled out. The overall excellent supply situation which, according to initial forecasts by the International Grain Council (IGC), will also prevail in the 2018/19 grain year should, however, keep price risks within limits. According to the IGC's April forecast, the grain harvest in 2018/19 will again be above 2 billion tonnes.

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. The proportion of renewable energies in this sector is set to increase to 10% by 2020, with renewable fuels from arable crops certified as sustainable being able to account for up to 7%. The remaining 3% are to be achieved by means of fuels from wastes and residues or renewable electricity used in rail and road transport. In view of the short time frame until 2020, several member states such as Belgium, Germany and France had already increased their national targets for renewable fuels in 2017. Other EU member states, including Finland, Austria, Poland, Sweden and Slovakia, followed suit at the beginning of 2018.

Furthermore, the proportion of renewable energies in fuels was raised in the United Kingdom from 4.75 vol.-% to 7.25 vol.-% with effect from April 2018. The proportion of renewable fuels is to continue to increase gradually to 9.75 vol.-%

in 2020. The aim of this regulation is to ensure that the transport sector will make an appropriate contribution to the implementation of the United Kingdom's ambitious climate targets. The new regulation should result in an increase in ethanol demand insofar as extensive use is made of E10.

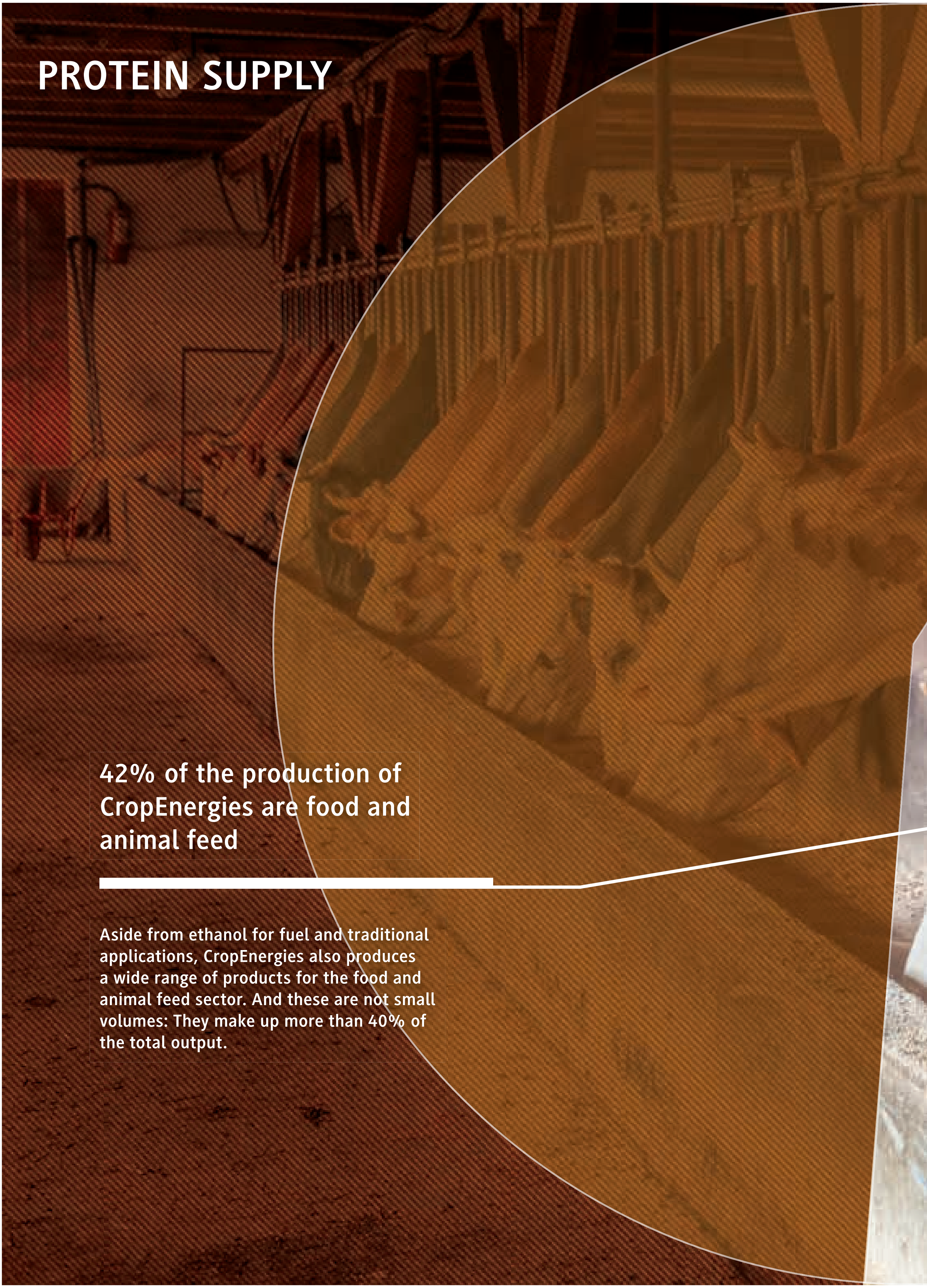
After the greenhouse gas reduction quota in Germany was already increased to 4.0 wt.-% as of 1 January 2017, a further increase to 6.0 wt.-% is not planned until 2020. However, the entry into force of the 38th Ordinance for Implementing the Federal Immission Control Act (38th Federal Immission Control Ordinance – BImSchV) changed the calculation bases as of 1 January 2018 by increasing the emission values of fossil fuels and bringing them into line with the real emissions caused by the burning of fossil fuels. This should continue to boost the competitiveness of bioethanol owing to its high greenhouse gas reductions.

On 30 November 2016, the European Commission had proposed a new version of the "Renewable Energies Directive" for the period after 2020. The proposal did not envisage any binding overall targets for the use of renewable energies in the transport sector. At the same time, the maximum limit for renewable fuel from arable crops was to be reduced by the year 2030 in favour of alternatives that are still to be developed. In contrast to the Commission proposal, however, changes that will provide a boost for climate protection in the transport sector are becoming apparent in the discussions that have been held hitherto in the European Parliament and Council. In addition to binding targets for the transport sector, renewable fuels from arable crops are to be allowed to be able to continue to make their contribution to lowering the consumption of fossil fuels and the associated greenhouse gas emissions. The adoption of a binding legal framework until 2030 requires the agreement of the European Parliament and Council. The legislative process is expected to be completed by the end of 2018.

Group performance

In the 2017/18 financial year, CropEnergies further strengthened its position as the leading producer of sustainably produced ethanol in Europe. In terms of the 2018/19 financial year, CropEnergies expects to face a challenging market environment.

Both ethanol prices and forward rates are currently at a low level, but higher prices are expected in the course of the year. Given stable grain prices, prices for protein food and animal feed products are expected to remain at a high level. Given anticipated revenues of between € 840 and € 900 million, CropEnergies therefore expects EBITDA to range between € 70 and € 110 million. After depreciation, operating profit is expected to range between € 30 and € 70 million. Despite higher investment expenditure, net financial assets are expected to continue to improve.



PROTEIN SUPPLY

42% of the production of CropEnergies are food and animal feed

Aside from ethanol for fuel and traditional applications, CropEnergies also produces a wide range of products for the food and animal feed sector. And these are not small volumes: They make up more than 40% of the total output.


CROPENERGIES' PRODUCTS
42% FOOD AND ANIMAL FEED
47% FUEL ETHANOL
6% NEUTRAL ALCOHOL
5% CO_2
42%

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. 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 as well as neutral alcohol. This reduces the dependence on developments on the bioethanol 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. CropEnergies defines risk and opportunities as future developments or events that can have a negative or positive effect on the achievement of strategic goals and operational plans. 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. Where possible and economically viable, insurable risks are covered by a cross-group insurance programme.

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. All employees are urged to communicate any impending or existing risks immediately to their line managers. This enables CropEnergies to ensure that risks are identified at all levels, independently of existing hierarchies.

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 is an integral part of our corporate culture and, as such, the duty and obligation of each and every employee. To ensure that all employees conduct themselves in accordance with the rules, CropEnergies has adopted a group-wide compliance guideline and trains employees accordingly at regular intervals.

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, production, 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. The results obtained by the risk committee are documented on a monthly basis. Any trading risks that exist are assessed on a daily basis. In addition to the regular reporting, ad hoc risks require internal 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 an active and conscious manner. Operational and strategic risks are reported on a regular basis as part of the overall planning, controlling and reporting process.

Risk documentation

CropEnergies documents all material corporate risks in an internal risk register. A risk owner who is responsible for assessing the risk is assigned to every risk. The risk owner uses defined early warning indicators to monitor the risk in question, taking corresponding countermeasures. The risk register is updated at regular intervals and, where necessary, has newly occurred risks added to it.

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 "likelihood of materialisation" and "possible financial effects", in relation to medium-term expectations of earnings, 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 likelihood of materialisation and the possible financial effects.

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
Strategic risks		
Changes in the legal and political environment	high	high
Risks from structural changes on sales markets	medium	high
General economic risks	medium	medium
Operational risks		
Procurement risk	high	high
Sales risk	high	high
Risks in trading business	low	low
Quality risks	low	medium
IT risks	medium	medium
Personnel risks	low	low
Credit risks	low	low
Other operational risks	medium	medium
Compliance risks		
General legal risks	medium	medium
Antitrust law risks	medium	medium
Corruption risks	low	medium
Financial risks		
Liquidity risks	low	high
Exchange rate risks	medium	medium
Interest rate risks	medium	low

Strategic risks

Risks arising from changes to the legal and political framework

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 group 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.

On 30 November 2016, the European Commission put forward legislative proposals for implementing the EU's climate and energy policy up to 2030. The Council of the European Union and the European Parliament adopted a position on this in December 2017 and January 2018, respectively, and subsequently commenced inter-institutional negotiations about the final directive text on this basis. Owing to the ongoing negotiations, it is not possible to make any definitive statement about what long-term impact any changes to the legal framework may have on the ethanol business. Any differentiation of blending targets according to production technologies and/or raw materials may cause shifts in demand, which could have an adverse impact on CropEnergies' business activities. As the leading company in the industry and owing to its integration into the Südzucker Group's value chain, CropEnergies expects, however, to be able to take advantage of any additional market opportunities.

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.

The United Kingdom's exit from the European Union (Brexit) may entail risks for CropEnergies' business activity due to changes to the legal and political framework that are currently still difficult to assess.

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

Macroeconomic risks and risks from structural changes on sales markets

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. The availability of such raw materials is subject to fluctuations in harvest yields that may increase in their frequency and intensity due to extreme weather events. Price fluctuations on the world markets for agricultural commodities and foreign exchange markets have a direct impact on CropEnergies' raw material costs.

CropEnergies reduces the raw materials price 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. 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_2 certificates also give rise to risks for CropEnergies. The free allocation of CO_2 certificates for the 3rd trading period in the EU from 2013 to 2020 does not cover the CropEnergies Group's expected consumption. Under current EU regulations, the production of bioethanol currently fulfils the carbon leakage criteria, according to which a limited number of CO_2 certificates are allocated free of charge; no cessation of the carbon leakage status is currently anticipated. With regard to the upcoming 4th trading period for 2021 to 2030, a reduction in the free allocation of CO_2 certificates must be expected even if the carbon leakage status is preserved. In the light of the current status of the EU legislation process, the actual free allocation from 2021 onwards is difficult to predict. There is also a price risk for CO_2 certificates that need to be purchased.

Sales risk

Prices for bioethanol in Europe are subject to various influencing factors such as local supply and demand, price level and supply in the USA, Brazil and other export countries as well as political frameworks, and can therefore be subject to greater fluctuations. CropEnergies controls these risks through the arrangement of sales contracts and their term as well as through derivative instruments as far as possible and through the flexible use of the bioethanol plants depending on the market situation and the resulting cost and earnings situation. The use of derivative hedging instruments takes place within defined limits and rules, and is subject to an extensive control process. European ethanol 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.

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 may 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 regularly 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 heavily on complex information technology and relies on smoothly functioning IT systems. This gives rise to risks in relation, in particular, to the failure of IT systems, their security and their quality. The optimisation, maintenance and, in particular, the security of the IT systems are ensured both by experts and by corresponding technical measures. CropEnergies is integrated into the Südzucker Group's largely standardised information systems and processes via the shared service agreements.

Personnel risks

The CropEnergies Group is in competition with other companies for qualified personnel. There is therefore a risk that job openings will not be filled promptly or appropriately. To counteract this, CropEnergies, as one of the leading companies in the future market for biofuels, offers an attractive working environment, career prospects in an international environment as well as the employee social benefits provided by the Südzucker Group.

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.

Compliance risks

General 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.

The European General Data Protection Regulation (EU-GDPR) applies with effect from 25 May 2018. It creates uniform, directly applicable data protection legislation within the EU's member states, thereby ensuring a high level of data protection in Europe. The extensive set of obligations is reinforced by means of considerable sanctions in the event of breaches. CropEnergies has analysed the obligations and risks triggered by the EU-GDPR and, continuing its existing data protection culture, is taking the necessary technical and organisational measures to guarantee the protection and security of personal data, particularly those of employees, customers, suppliers and other business partners in accordance with applicable data protection legislation.

Antitrust law risks
Antitrust law risks may arise if governing bodies or employees of the CropEnergies Group violate laws and internal rules, and which may result in fines, claims for damages and image damage.

To prevent antitrust law 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, with any indication of incorrect behaviour being followed up.

Corruption risks
Corruption risks may arise if governing bodies or employees of the CropEnergies Group violate laws, internal rules or regulatory standards recognised by CropEnergies such that the company suffers damage to its assets or image. To ensure legally compliant and socio-ethical behaviour in the CropEnergies Group, CropEnergies has adopted a directive regarding favours, to which every employee must adhere.

Financial risks

Liquidity risks
A liquidity risk consists in the funds needed to meet payment obligations not being made available or not being made available in time. 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 internal and external 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 28 February 2018, CropEnergies was debt-free.

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 can be limited through a mix of fixed and variable rate loans, but there was no utilisation of loans as of 28 February 2018. However, negative interest may be charged on sight deposits held by banks.

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".

Non-financial corporate risks

CropEnergies runs the risk, in principle, that its own activity may have an impact on environment, employees and social matters. The same applies to the business relationships linked to the activity. To reduce non-financial risks and to prevent negative impacts, CropEnergies has taken extensive measures, in relation, for instance, to environmental protection, safety-at-work and quality assurance.

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 of declining ethanol prices and/or increasing grain prices may give rise to losses if margins do not cover the 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, as this would also reduce the opportunities for future positive price developments. In addition, the restricted liquidity of price hedging instruments limits their economically viable use.

In sum, the CropEnergies Group's overall risk has remained unchanged compared with the previous year, given the continuing uncertainty regarding the implementation of the European Union's climate and energy policy up to 2030.

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 ethanol or for food and animal feed products that are produced at the same time. 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.

CropEnergies' medium-term expectation is that the resolutions of the Paris climate summit will also ensure further market growth in relation to renewable energies in the transport sector. Otherwise, it will not be possible to achieve the target of limiting global warming to 2 °C and lowering the consumption of fossil fuels.

The decisive factor in future demand for renewable energies in the EU will be the agreement of European Parliament and Council, with the involvement of the European Commission, on the 2030 climate and energy package. This package is to define the future level of the proportion of biofuels from arable crops and from wastes. This may also give rise to opportunities for growth for CropEnergies. As one of the leading bioethanol producers in Europe and owing to the flexibility and capacity of its plants and its robust financial situation, the CropEnergies Group is well prepared for the corresponding increase in demand.

Overall opportunities

The group's overall opportunities are unchanged year over year.

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 are 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.

CORPORATE GOVERNANCE*

In the following, we report on the company's corporate management in accordance with § 289f (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.

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 was changed on 16 May 2017, based on its rules of procedure, as amended 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 supervisory board has drawn up its own rules of procedure for its work; these are in force, as amended on 13 November 2017.

Composition of the supervisory board

The supervisory board of CropEnergies AG, 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 meeting on 18 July 2017 runs for the period until adjournment of the annual general meeting that decides on approval for the 2021/22 financial year (i.e., until the annual general meeting in 2022). All members of the supervisory board are familiar with the sector in which CropEnergies operates. Franz-Josef Möllenberg is the financial expert on the supervisory board and the audit committee, i.e., a member who has expertise in the areas of accounting and auditing.

* The following declaration on corporate management and the corporate governance report have not been checked by an auditor, with the exception of the compensation report.

Diversity objectives

Regarding its composition, the supervisory board is particularly guided, pursuant to a resolution passed at its meeting on 13 November 2017 (taking into account the sector, the company's size and the scale of the international activities), by the following objectives and expertise profile for the committee as a whole (these replace the supervisory board's diversity objectives as amended on 12 November 2012):

- Every member of the supervisory board should have adequate entrepreneurial and/or company experience and ensure that sufficient time is available to carry out duties and responsibilities in the supervisory board.
- Every member of the supervisory board should have the reliability and personal integrity required to perform the supervisory board's monitoring responsibilities.
- At least two members of the supervisory board should be "independent" within the meaning of paragraph 5.4.2 of the German Corporate Governance Code.
- The supervisory board should not have more than two former members of the executive board.
- The supervisory board should have at least two members with international experience or particular expertise in a market outside Germany that is important to the company.
- At least one member of the supervisory board should have expertise in the area of accounting or auditing (financial expert).
- The supervisory board seeks an appropriate degree of female representation. Through the resolution at its meeting on 16 May 2017 – for the period until 15 May 2022 – the supervisory board has not set a concrete quota as the decision regarding its composition is based primarily on the suitability of the available candidates, not on their gender.
- No candidates over 70 years of age should be nominated for election or re-election to the supervisory board unless this is necessary in the company's interest.

A regular limit of length of membership on the supervisory board is not specified, for reasons of continuity and long-standing expertise in the supervisory board.

When making nominations for the election of supervisory board members, the supervisory board will continue to be primarily guided by the personal aptitude of candidates, their specialist knowledge and experience, integrity and independence as well as their motivation and capability.

The following should be noted with regard to the status of the diversity objectives:

On 18 July 2017, the annual general meeting elected shareholder representatives to the supervisory board, endorsing the supervisory board's nominations. The supervisory board considers that it 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.

The executive board's diversity concept

At its meeting on 13 November 2017, the executive board decided, for the time being, not to specify a diversity concept for its composition in respect of criteria such as age, gender, educational or professional background, also in view of the longer appointments still in place.

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 the two committees are based on the supervisory board rules of procedure as amended on 13 November 2017 and those for the audit committee of 3 May 2012. The current composition of the committees is presented under item (36) "Supervisory board" in the notes to the consolidated financial statements.

The chairman of the supervisory board is not at the same time chairman of the audit committee.

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 2018

The invitation to the annual general meeting, which is due to be held in Mannheim on 17 July 2018, 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. 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 58–66.

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 7 February 2017 as largely balanced, practical and of a high standard when compared internationally. As in previous years, we have thus not found it necessary to prepare individual, company-specific corporate governance principles.

Declaration of conformity for 2017

As with declarations of conformity issued in previous years, the declaration of conformity for 2017 is published on the CropEnergies website at 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 13 November 2017 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 5 May 2015 with the following exceptions and will comply in future with the recommendations contained in the Code version of 7 February 2017:

Paragraph 4.1.3
(Compliance, whistleblower system):
By the end of 2017, CropEnergies AG's compliance system will be enhanced by a whistleblower system, which is designed to give employees and third parties the opportunity to report any breaches of statutory obligations that occur within the company to corporate management via a protected electronic whistleblower system. As the technical implementation has not been completed yet, a divergence from paragraph 4.1.3. sentence 3 is notified as a precaution.

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 subsections 4 and 5
(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 12 July 2016 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 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 interest of the company and all its shareholders for Mr Kölbl to exercise this office as audit committee chairman.

Paragraph 5.4.1, subsection 2
(Objectives for the 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.

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, divided according to fixed compensation and performance-related components (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 corporate governance report, notes and management report therefore do not contain any individualised information on supervisory board compensation."

Gender quota
The amendment to the Stock Corporation Act brought about by the Geschlechterquoten-Gesetz (Gender Quota Act) makes provision for listed companies to define target figures for supervisory board, executive board and the two management levels below executive board. CropEnergies AG is affected by this development, but 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. CropEnergies is not a co-determined company.

At its meeting on 16 May 2017, 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 up to 15 May 2022 and the executive board up to 29 April 2020 to be the "retention of zero %". At its meeting on 15 May 2017, 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 14 May 2022.

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 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 12 July 2016 (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. 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 in securities
No member of the executive board or the supervisory board holds shares of CropEnergies AG or related financial instruments directly or indirectly 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.

Members of the executive board and the supervisory board did not disclose any reportable dealings in securities to CropEnergies AG in the 2017/18 financial year.

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 latter's compliance business values and principles in an appropriate form. The corporate standards existing within the Südzucker Group have been codified in these principles. The objective is to ensure that the principles set forth below are enforced throughout CropEnergies utilising the existing reporting procedures and information flows.

Focuses of the compliance business values and principles that apply across the group are antitrust 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 antitrust 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.

The foregoing compliance business values and principles are implemented in a manner that is standard across the group and binding on all subsidiaries. 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 §§ 289a (1), 315a (1) 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 28 February 2018 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 *(§ 315a [1] 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 *(§ 315a [1] 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 the voting rights.

As of 28 February 2018, Südzucker AG, Mannheim (Südzucker) and Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG, Stuttgart (SZVG) directly hold 69,2% and 5,5%, respectively, of the share capital. In accordance with § 22 (1) No. 1 WpHG, the interests held by Südzucker are attributable to SZVG. SZVG therefore directly and indirectly holds a total of 74.7% of voting rights *(§ 315a [1] No. 3 HGB)*.

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

There are no CropEnergies shares conferring special rights *(§ 315a [1] No. 4 HGB)*. There is also no kind of voting right control from the participation of employees in the company's capital *(§ 315a [1] 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 *(§ 315a [1] 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 (§ 315a *[1]* No. 7 HGB).

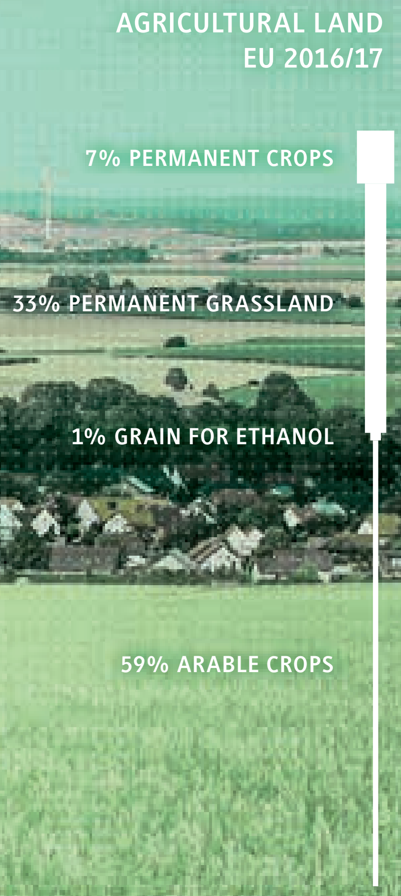
The annual general meeting of 12 July 2016 authorised the executive board, with the consent of the supervisory board, to increase the share capital of the company within the period until 11 July 2021 by up to a total of € 15 million by issuing new shares in exchange for cash and/or contributions in kind and to exclude the pre-emptive subscription right of the shareholders in certain instances. The authorisation was not exercised in the 2017/18 financial year.

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 *(§ 315a [1] No. 9 HGB).*

Disclosures on executive board and supervisory board compensation can be found in the compensation report on pages 71 – 72.


AGRICULTURE
1%



1% of the agricultural land in the EU is used to grow grain for ethanol

The EU has 179 million hectares of agricultural land. On around 60%, arable crops are grown, a third is grassland. The smallest part – only 1% – is used for the production of ethanol.

CONSOLIDATED FINANCIAL STATEMENTS

Statement of comprehensive income

1 March 2017 to 28 February 2018

€ thousands	Note	2017/18	2016/17
Income statement			
Revenues	(6)	**881,963**	**801,736**
Change in work in progress and finished goods inventories and internal costs capitalised	(7)	834	5,394
Other operating income	(8)	3,299	5,995
Cost of materials	(9)	-677,070	-590,355
Personnel expenses	(10)	-35,297	-34,060
Depreciation	(16), (17)	-39,161	-39,374
Other operating expenses	(11)	-63,724	-55,654
Income from companies consolidated at equity	(18)	-75	189
Income from operations	(12)	**70,769**	**93,871**
Financial income	(13)	373	313
Financial expenses	(13)	-1,317	-4,424
Earnings before income taxes		**69,825**	**89,760**
Taxes on income	(14)	-19,016	-20,981
Net earnings for the year		**50,809**	**68,779**
Earnings per share, diluted/undiluted (€)	(31)	**0.58**	**0.79**
Table of other comprehensive income			
Net earnings for the year		**50,809**	**68,779**
Mark-to-market gains and losses*		-4,468	6,729
Foreign currency differences from consolidation		-1,800	-2,922
Income and expenses to be reclassified in future in the profit and loss account		**-6,268**	**3,807**
Remeasurement of defined benefit plans and similar obligations*		1,535	-936
Income and expenses not to be reclassified in future in the profit and loss account		**1,535**	**-936**
Income and expenses recognised in shareholders' equity		**-4,733**	**2,871**
Total comprehensive income		**46,076**	**71,650**

** After deferred taxes*

Cash flow statement

1 March 2017 to 28 February 2018

€ thousands	Note	2017/18	2016/17
Net earnings for the year		50,809	68,779
Depreciation and amortisation of intangible assets, property, plant and equipment and other investments	(16), (17)	39,161	39,374
Change in non-current provisions and deferred tax liabilities		-157	-2,910
Other income not affecting cash		-204	1,925
Gross cash flow		89,609	107,168
Loss on disposal of non-current assets		1,113	169
Increase (+) / Decrease (-) in current provisions		4,111	-1,871
Decrease (+) / Increase (-) in inventories, receivables and other current assets		6,682	-21,690
Decrease (-) / Increase (+) in liabilities (excluding financial liabilities)		-9,735	1,575
Change in working capital		1,058	-21,986
I. Net cash flow from operating activities		**91,780**	**85,351**
Investments in property, plant and equipment and intangible assets	(16), (17)	-19,502	-16,055
Investments in acquisitions		-500	0
Cash received on disposal of non-current assets		262	213
Investment subsidies received		15	0
II. Cash flow from investing activities		**-19,725**	**-15,842**
Dividends paid		-26,175	-13,088
Receipt of financial liabilities		12,467	10,394
Repayment of financial liabilities		-35,751	-60,819
III. Cash flow from financial activities		**-49,459**	**-63,513**
IV. Change in cash and cash equivalents (total of I., II. and III.)		**22,596**	**5,996**
Change in cash and cash equivalents due to exchange rate changes		279	-28
Increase in cash and cash equivalents		**22,875**	**5,968**
Cash and cash equivalents at the beginning of the year		13,999	8,031
Cash and cash equivalents at the end of the year		**36,874**	**13,999**

€ thousands	Note	2017/18	2016/17
Interest expense	(32)	561	1,362
Tax payments	(32)	20,086	24,804

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

Balance sheet

28 February 2018

ASSETS

€ thousands	Note	28/02/2018	28/02/2017
Intangible assets	(16)	9,409	9,482
Property, plant and equipment	(17)	392,987	415,248
Shares in companies consolidated at equity	(18)	1,882	1,957
Receivables and other assets	(28)	40	40
Deferred tax assets	(14)	2,512	1,923
Non-current assets		**406,830**	**428,650**
Inventories	(19)	66,002	63,106
Trade receivables and other assets	(20), (27), (28)	75,279	84,792
Current tax receivables	(14)	7,308	7,373
Cash and cash equivalents	(25), (26), (28)	36,874	13,999
Current assets		**185,463**	**169,270**
Total assets		**592,293**	**597,920**

LIABILITIES AND SHAREHOLDERS' EQUITY

€ thousands	Note	28/02/2018	28/02/2017
Subscribed capital		87,250	87,250
Capital reserves		197,847	197,847
Other reserves and other comprehensive income		160,581	140,680
Shareholders' equity	(21)	**445,678**	**425,777**
Provisions for pensions and similar obligations	(22)	21,667	22,448
Other provisions	(23)	2,486	2,751
Non-current financial liabilities	(25), (26), (28)	0	15,308
Other liabilities	(28)	238	327
Deferred tax liabilities	(14)	22,587	24,391
Non-current liabilities		**46,978**	**65,225**
Other provisions	(23)	16,799	12,688
Current financial liabilities	(25), (26), (28)	0	7,976
Trade payables and other liabilities	(24), (27), (28)	70,656	74,346
Current tax liabilities	(14)	12,182	11,908
Current liabilities		**99,637**	**106,918**
Total liabilities and shareholders' equity		**592,293**	**597,920**

Development of shareholders' equity

1 March 2017 to 28 February 2018

€ thousands	Subscribed capital	Capital reserves	Other reserves and other comprehensive income: Other reserves	Cash flow hedges	Cumulative foreign currency differences	Total	Total consolidated shareholders' equity
1 March 2016	87,250	197,847	84,229	-6,097	3,986	82,118	367,215
Net earnings for the year			68,779			68,779	68,779
Mark-to-market gains and losses on cash flow hedging instruments*				6,729			
Foreign currency differences from consolidation					-2,922		
Remeasurement of defined benefit plans and similar obligations*			-936				
Income and expenses recognised in shareholders' equity			-936	6,729	-2,922	2,871	2,871
Total comprehensive income			67,843	6,729	-2,922	71,650	71,650
Dividends paid			-13,088			-13,088	-13,088
28 February 2017	87,250	197,847	138,984	632	1,064	140,680	425,777
1 March 2017	87,250	197,847	138,984	632	1,064	140,680	425,777
Net earnings for the year			50,809			50,809	50,809
Mark-to-market gains and losses on cash flow hedging instruments*				-4,468			
Foreign currency differences from consolidation					-1,800		
Remeasurement of defined benefit plans and similar obligations*			1,535				
Income and expenses recognised in shareholders' equity			1,535	-4,468	-1,800	-4,733	-4,733
Total comprehensive income			52,344	-4,468	-1,800	46,076	46,076
Dividends paid			-26,175			-26,175	-26,175
28 February 2018	87,250	197,847	165,153	-3,836	-736	160,581	445,678

** 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 HRB 700509. Pursuant to § 2 of its articles of association of 16 November 2016, 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 IFRS Interpretations Committee (IFRS IC), as applicable in the EU. In addition, account was taken of the requirements of German commercial law pursuant to § 315e (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 28 February 2018 were released by the executive board on 23 April 2018 and assigned an unqualified opinion by the independent auditing company PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The statements were reviewed by the audit committee on 8 May 2018 and reviewed and approved by the supervisory board at its meeting on 14 May 2018. The publication date is 16 May 2018.

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: The following standards were mandatory for the first time in the 2017/18 financial year.

Standard		Passed by IASB	Adopted by the EU
IAS 7	Statement of Cash Flows (amendment)	29/01/2016	06/11/2017
IAS 12	Deferred Taxes (amendment)	19/01/2016	06/11/2017
Miscellaneous	Annual Amendments – 2014 – 2016 Cycle (amendments to IFRS 12 are to be applied from 2017/18 onwards)	08/12/2016	07/02/2018

The first-time adoption of the amended IAS 7 (Cash Flow Statement) results in disclosures of the components of changes in liabilities from financing activities being extended, in terms of a statement of reconciliation, which is presented under item (32) of these notes. The other amendments had no material impact on the presentation of CropEnergies' assets, liabilities, financial position and profit or loss, or the disclosures in the notes.

IFRSs and IFRICs to be adopted in future: The summary below lists the standards and interpretations which are applicable as of the 2018/19 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 19 (amended 2018)	Employee Benefits	07/02/18	2019/20	No	In the event of an amendment, curtailment or settlement of a defined-benefit pension plan, it is now mandatory that the current service cost and the net interest for the remaining financial year be re-determined using the current actuarial assumptions used for the required re-measurement of the net defined benefit liability (asset). In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Insofar as no corresponding circumstances exist, the amendment is not relevant to CropEnergies.
IAS 28 (amended 2011)	Investments in Associates (amendment)	11/09/14	postponed indefinitely	No	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IAS 28 (amended 2017)	Investments in Associates (amendment)	12/10/17	2019/20	No	The amendment clarifies that IFRS 9 (Financial Instruments) is to be applied to long-term interests in an associate or joint venture, provided that they form part of the net investment and are not consolidated at equity. The amendment is not relevant to CropEnergies.
IAS 40	Investment Property (amendment)	08/12/16	2018/19	14/03/18	The standard is not relevant to CropEnergies.
IFRS 2	Share-Based Payment	20/06/16	2018/19	26/02/18	The standard is not relevant to CropEnergies.
IFRS 4	Insurance Contracts	12/09/16	2018/19	03/11/17	The standard is not relevant to CropEnergies.
IFRS 9 (2014)	Financial Instruments	24/07/14	2018/19	22/11/16	After analysing IFRS 9, CropEnergies does not expect initial adoption to have any material impact on the financial statements. In some cases, the new provisions on the classification of financial assets depending on the business model existing for these assets will give rise to changes in measurement and presentation. The new provisions on accounting for impairment losses will lead to expected losses having to be expensed earlier in certain cases. Owing to the high proportion of receivables that are covered by credit insurance, no necessary additional risk provisioning is expected from this new regulation concerning the recognition of impairments for credit risks relating to receivables depending on their past-due status (impairment matrix). In hedge accounting, it will be possible to include more components in the hedged risk in some cases, which will slightly increase the effectiveness of the hedge.
IFRS 9 (amended 2017)	Financial Instruments (amendment)	12/10/17	2019/20	22/03/18	The amendment lays down that certain financial instruments containing symmetric termination and compensation clauses (prepayment features with negative compensation) that would otherwise be measured through profit or loss can qualify for amortised cost measurement. The amendment is not relevant to CropEnergies.
IFRS 10	Consolidated Financial Statements (amendment)	11/09/14	postponed indefinitely	No	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IFRS 14	Regulatory Deferral Accounts	30/01/14	postponed indefinitely	No	The standard is not relevant to CropEnergies. The European Commission has decided not to include this interim standard for the endorsement process, but to wait for the final standard.

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 15	Revenue from Contracts with Customers	28/05/14	2018/19	22/09/16	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 material impact on the amount and time the time of revenue recognition, but expects it to involve extended disclosure requirements.
IFRS 15 (amended 2016)	Revenue from Contracts with Customers (amendment)	12/04/16	2018/19	31/10/17	The amendment to IFRS 15 has provided clarification regarding the identification of performance obligations, control over leased assets, entity activities that significantly affect intellectual property as well as transition relief in respect of the presentation of contracts that have been completed or modified before the earliest period to be presented. The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IFRS 16	Leases	13/01/16	2019/20	31/10/17	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. CropEnergies will avail itself of the non-capitalisation option for low-value assets and short-term leases. CropEnergies has examined the extent to which IFRS 16 is relevant to existing lease agreements and how to measure the value in use and the corresponding liability in the case of individual contracts or contract groups. Based on an analysis of current contractual conditions, the carrying amount of property, plant and equipment is expected to rise by less than 5%.
IFRS 17	Insurance Contracts	18/05/17	2021/22	No	The standard is not relevant to CropEnergies.
Miscellaneous	Annual Improvements of IFRS – 2014–2016 Cycle	08/12/16	2018/19	07/02/18	The amendments to IFRS 12 are already to be applied from 2017/18 onwards. The amendments to IFRS 1 and IAS 28 take effect in 2018/19. The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
Miscellaneous	Annual Improvements of IFRS – 2015–2017 Cycle	12/12/17	2019/20	No	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	08/12/16	2018/19	28/03/18	The amendment is not expected to have any impact on the presentation of assets, liabilities, financial position and profit or loss.
IFRIC 23	Uncertainty over Income Tax Treatments	07/06/17	2019/20	No	IFRIC 23 clarifies the accounting for uncertainties with regard to income taxes. An entity is required to use judgement to determine whether to consider tax treatments individually or collectively. The amendment is not expected to have any 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. Under IFRS 10, control exists if a company is exposed, or has rights, to positive or negative returns from its involvement with another entity. It must also have the ability to affect these variable returns by controlling the entity's activities. Control can exist due to voting rights or prevailing circumstances, due, among other things, to contractual arrangements. 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 UK Ltd, Yarm (United Kingdom)
- Ryssen Chile SpA, Lampa, Santiago de Chile (Chile)
- CropEnergies Inc., Houston (USA)

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

CropEneriges AG is included in the IFRS consolidated financial statements of Südzucker AG, Mannheim (HRB No. 42 at the district court of Mannheim), published in the German Federal Gazette, which constitutes the largest consolidated group.

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	**28/02/2018**	**28/02/2017**
Non-current assets	7,790	8,389
Inventories	*56*	*61*
Receivables and other assets	*486*	*438*
Cash and cash equivalents	*237*	*89*
Current assets	779	588
Total assets	**8,569**	**8,977**
Shareholders' equity	**3,750**	**3,914**
Non-current liabilities	1,668	2,360
Current liabilities	3,151	2,703
Total liabilities	**4,819**	**5,063**
Income	2,751	3,166
- Expenses	-2,901	-2,788
= Net earnings (loss) for the year	-150	378

** 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_2. The book value of the shares of CT Biocarbonic GmbH amounts to € 1.9 (2.0) 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 IAS 36.10(b) (Impairment of Assets), 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 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 28/02/2018	Average rate 2017/18	Year-end rate 28/02/2017	Average rate 2016/17
Chile	CLP	724.80	739.58	689.12	734.05
Great Britain	GBP	0.88	0.88	0.85	0.83
USA	USD	1.22	1.16	1.06	1.10

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 (impairment-only approach) once every year and if there are indications of impairment (triggering events). 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 costs centre. 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_2 emission rights are recognised in accordance with IAS 38 (Intangible Assets), IAS 20 (Government Grants) and IAS 37 (Provisions). CO_2 emission 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_2 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.

Other provisions also cover risks arising from legal disputes and proceedings if the probability of occurrence is more than 50% and reliable estimation is possible. CropEnergies availed itself of the regulations set out in IAS 37.92 with regard to corresponding disclosures in the notes on changes in provisions. In order to determine or estimate the amount of provisions, use is made of the claims applicable in the individual case, the assessment of the facts as well as the results of similar processes and independent legal opinions.

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 take 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 compounding or discounting 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. Recognition takes place as of the day of trading. Changes in fair value are recognised through profit or loss unless there is a hedge accounting 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.

Derivative financial instruments for hedging price risks which are not designated in a hedge accounting relationship are presented under derivatives held for trading. In the case of derivatives held for trading, changes in the fair values of the hedging transactions are recognised in the income statement.

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.

As the derivative financial instruments used are mainly forward transactions traded on the stock exchange, corresponding collateral needs to be deposited for them. The forward transactions and the collateral are recognised gross on the balance sheet. Initial margins to be paid are recognised under "Other assets". Variation margins to be paid or received during the term of the derivative financial instruments are recognised under "Other assets" or "Other liabilities". The utilisation of the credit line made available for this is recognised under "Liabilities to banks".

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 future cash flow forecasts 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, the net realisable value and inventories is 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	2017/18	2016/17
Bioethanol, food and animal feed products	875,485	792,073
Other revenues	6,478	9,663
	881,963	**801,736**

Revenues for bioethanol, food and animal feed products increased by € 83.4 million to € 875.5 million. The main factor in the growth in sales was the increased business volume due to the high utilisation rate of all the production plants, with the higher production at the Wilton plant, which had been taken back into operation in July 2016, having a particular impact. The increased production resulted in higher sales volumes of internally produced bioethanol as well as food and animal feed products. The trading business was slightly expanded at the same time.

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 € 136 (98) thousand.

(8) Other operating income

The other operating income of € 3.3 (6.0) million mostly comprises currency gains of € 1.7 (1.5) million as well as sales commissions and recharged logistics costs of € 1.0 (1.4) million.

(9) Cost of materials

€ thousands	2017/18	2016/17
Cost of raw materials, consumables and supplies and of purchased merchandise	654,753	574,999
Cost of purchased services	22,317	15,356
	677,070	**590,355**

The cost of materials increased to € 677.1 (590.4) million compared with the previous year, due to the 12% rise in bioethanol production to 1,149,000 (1,030,000) m^3. Higher costs for the raw materials used, particularly grain, and higher maintenance expenses resulted in the materials expense ratio increasing to 76.7% (73.1%) of overall performance.

(10) Personnel expenses

€ thousands	2017/18	2016/17
Wages and salaries	26,397	25,299
Social security, pension and welfare expenses	8,900	8,761
	35,297	**34,060**

Number of employees (full-time equivalents)

	2017/18	2016/17
Number of employees by region		
Germany	168	165
Other European countries	239	240
Other countries	7	7
	414	**412**
Number of employees by category		
Wages earners	198	198
Salary earners	216	214
	414	**412**

The number of employees (full-time equivalents) employed as of 28 February 2018 stood at 414 (412). The annual average number of employees (full-time equivalents) employed stood at 410 (409).

Personnel expenses increased to € 35.3 (34.1) million. The personnel expense ratio (as a percentage of overall performance) declined to 4.0% (4.2%).

(11) Other operating expenses

€ thousands	2017/18	2016/17
Selling and advertising expenses	27,857	26,258
Operating and administrative expenses	15,019	13,604
Other expenses	20,848	15,792
	63,724	**55,654**

Selling and advertising expenses increased to € 27.9 (26.3) million and mainly consisted of logistics costs for supplying customers. Operating and administrative costs amounted to € 15.0 (13.6) million.

The other expenses mainly comprise the cost of shared services provided by the Südzucker Group of € 5.2 (6.0) million, other taxes of € 2.4 (2.4) million, rental and leasing expenses of € 2.3 (1.7) million, currency losses of € 1.7 (0.9) million as well as logistics costs of € 0.6 (0.9) million paid in advance.

(12) Income from operations

€ thousands	2017/18	2016/17
Income from operations	**70,769**	**93,871**
of which operating profit	71,660	97,562
of which restructuring costs and special items	-816	-3,880
of which income from companies consolidated at equity	-75	189

Income from operations, amounting to € 70.8 (93.9) million, comprises operating profit, net restructuring costs and special items, as well as earnings from entities consolidated at equity. Net restructuring costs and special items were almost entirely accounted for by the adjustment to a tax provision.

The operating margin decreased to 8.1% (12.2%) of revenues.

(13) Financial income and expenses

€ thousands	2017/18	2016/17
Interest income	53	51
Other financial income	320	262
Financial income	**373**	**313**
Interest expense	-1,078	-1,853
Other financial expense	-239	-2,571
Financial expense	**-1,317**	**-4,424**
Net financial result	**-944**	**-4,111**

The net financial result improved by € 3.2 million year over year to € 0.9 million, mainly due to lower interest expenses and lower currency losses from the inclusion of foreign subsidiaries. The net financial result includes interest expenses of € 0.5 (0.4) million from compounding the provisions for pensions and similar obligations.

(14) Taxes on income

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 the municipal trade tax for the 2017/18 financial year gives rise to a theoretical tax rate of 30.10% (29.93%). The changed theoretical tax rate results from a change in the breakdown of business tax at CropEnergies.

€ thousands	2017/18	2016/17
Earnings before taxes on income	69,825	89,760
Theoretical tax rate	*30.10%*	*29.93%*
Theoretical tax expense	**21,017**	**26,865**
Change in theoretical tax expense as a result of:		
Foreign tax rate differentials	-181	-806
Different tax rates	516	652
Tax reduction for tax-free income	-922	-758
Tax increase for non-deductible expenses	1,157	1,614
Trade tax adjustment	9	22
Taxes for prior years	-807	-4,311
Tax effects from loss carryforwards and temporary differences	-1,958	-2,777
Other	185	480
Taxes on income	**19,016**	**20,981**
Effective tax rate	**27%**	**23%**

The effect of deviating foreign tax regulations amounting to € -0.2 (-0.8) million results, as in the previous year, from specific Belgian tax rules.

The positive effect from current taxes from previous years amounting to € 0.8 (4.3) million mainly relates to tax benefits from tax use of the previous year's losses in respect of Ensus and the impact of a tax audit at BioWanze.

The tax effects from accounting for loss carry-forwards and temporary differences of € -2.0 (-2.8) million relate to Ensus and BioWanze. Due to a change in the tax rate in Belgium, the previous stock balance of deferred taxes at BioWanze has been altered to € 1 million.

No deferred tax liabilities were recognised on temporary differences in connection with shares in subsidiaries of € 0.5 (0.3) 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 2017/18 financial year consist of current tax expenses of € 20.4 (17.1) million and deferred taxes of € -1.4 (3.9) million.

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

€ thousands	Deferred tax assets		Deferred tax liabilities	
28 February	**2018**	**2017**	**2018**	**2017**
Property, plant and equipment	837	719	23,038	24,926
Inventories	52	306	0	0
Other assets	368	417	414	1,083
Tax-free reserves	0	0	646	901
Provisions	3,024	3,838	525	609
Liabilities	750	1,094	483	1,323
	5,031	6,374	25,106	28,842
Offsets	-2,519	-4,451	-2,519	-4,451
Balance sheet	**2,512**	**1,923**	**22,587**	**24,391**

Of the deferred tax assets amounting to € 5.0 (6.4) million before netting, € 4.0 (5.5) million are non-current. Of the deferred tax liabilities amounting to € 25.1 (28.8) million before netting, € 23.7 (25.8) million are non-current.

Deferred taxes were not recognised for loss carry-forwards and temporary differences amounting to € 50.7 (54.2) million. Of the loss carry-forwards, an estimated € 0.4 (0.6) million will expire within 20 years; € 50.3 (53.6) 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	2017/18			2016/17		
	Before tax effects	Tax effects	After tax effects	Before tax effects	Tax effects	After tax effects
Income and expenses to be reclassified in future in the profit and loss account						
Mark-to-market gains and losses	-6,215	1,747	-4,468	9,920	-3,191	6,729
Foreign currency differences from consolidation	-1,800	0	-1,800	-2,922	0	-2,922
	-8,015	**1,747**	**-6,268**	**6,998**	**-3,191**	**3,807**
Income and expenses not to be reclassified in future in the profit and loss account						
Remeasurement of defined benefit plans and similar obligations	2,292	-757	1,535	-1,357	421	-936
	-5,723	**990**	**-4,733**	**5,641**	**-2,770**	**2,871**
Net earnings for the year			50,809			68,779
Total comprehensive income			**46,076**			**71,650**

Of the tax assets of € 7.3 million, € 5.6 million arise in Germany, € 0.9 million in Belgium, € 0.7 million in France and € 0.1 million in Chile. Tax liabilities amount to € 12.2 million, € 11.8 million of which stem from the German companies and € 0.4 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 with regard to the production of neutral alcohol implemented.

Research and development costs amounted to € 1.6 (1.3) 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.

2017/18 € thousands	Goodwill	Concessions, industrial and similar rights	Total
Acquisition costs			
1 March 2017	5,595	9,060	14,655
Other changes	500	0	500
Change due to currency translation	0	-35	-35
Additions	0	173	173
Transfers	0	32	32
Disposals	0	0	0
28 February 2018	6,095	9,230	15,325
Depreciation			
1 March 2017	0	-5,173	-5,173
Change due to currency translation	0	20	20
Depreciation for the year	0	-763	-763
Disposals	0	0	0
28 February 2018	0	-5,916	-5,916
Net book value at 28 February 2018	**6,095**	**3,314**	**9,409**

2016/17 € thousands	Goodwill	Concessions, industrial and similar rights	Total
Acquisition costs			
1 March 2016	5,595	9,212	14,807
Change due to currency translation	0	46	46
Additions	0	3	3
Transfers	0	0	0
Disposals	0	-201	-201
28. Februar 2017	5,595	9,060	14,655
Depreciation			
1 March 2016	0	-4,641	-4,641
Change due to currency translation	0	-28	-28
Depreciation for the year	0	-650	-650
Disposals	0	146	146
28 February 2017	0	-5,173	-5,173
Net book value at 28 February 2017	**5,595**	**3,887**	**9,482**

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 and COFA). The goodwill amounts to € 6.1 (5.6) million. Goodwill was increased in the reporting year due to a contractual payment of € 0.5 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 and macroeconomic framework data. 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 shareholders. The cost of debt that is applied reflects the company's current financing terms. As of 31 August 2017, the discount rate derived from the CropEnergies Group's cost of capital was 7.8% (7.6%) before taxes and 5.7% (5.5%) after taxes.

For the extrapolation of cash flows beyond the planning period in the CGUs, 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 2017/18 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

2017/18 € thousands	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition costs					
1 March 2017	144,196	528,143	20,775	11,184	704,298
Change due to currency translation	-217	-1,958	-12	-10	-2,197
Additions	687	14,486	877	3,279	19,329
Transfers	1,854	8,785	0	-10,671	-32
Disposals	0	-4,488	-1,146	0	-5,634
28 February 2018	146,520	544,968	20,494	3,782	715,764
Depreciation					
1 March 2017	-39,557	-237,869	-11,624	0	-289,050
Change due to currency translation	4	416	7	0	427
Depreciation for the year	-4,930	-31,519	-1,631	0	-38,080
Impairment losses	0	-318	0	0	-318
Disposals	0	3,492	752	0	4,244
28 February 2018	-44,483	-265,798	-12,496	0	-322,777
Net book value at 28 February 2018	**102,037**	**279,170**	**7,998**	**3,782**	**392,987**

2016/17 € thousands	Land, land rights and buildings including buildings on leased land	Technical equipment and machinery	Other equipment, factory and office equipment	Assets under construction	Total
Acquisition costs					
1 March 2016	144,434	526,479	20,353	3,742	695,008
Change due to currency translation	-528	-4,542	-28	-35	-5,133
Additions	247	6,727	645	8,432	16,051
Transfers	44	911	0	-955	0
Disposals	-1	-1,432	-195	0	-1,628
28 February 2017	144,196	528,143	20,775	11,184	704,298
Depreciation					
1 March 2016	-34,677	-207,605	-10,121	0	-252,403
Change due to currency translation	9	754	13	0	776
Depreciation for the year	-4,889	-31,004	-1,638	0	-37,531
Impairment losses	0	-1,193	0	0	-1,193
Disposals	0	1,179	122	0	1,301
28 February 2017	-39,557	-237,869	-11,624	0	-289,050
Net book value at 28 February 2017	**104,639**	**290,274**	**9,151**	**11,184**	**415,248**

The impairments amounting to € 0.3 million relate to the devaluation of technical equipment in Wanze to the value in use in each case.

The additions in the 2017/18 financial year do not include any investment subsidies that would have 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

2017/18 € thousands	companies consolidated at equity
1 March 2017	**1,957**
Share of profits	-75
28 February 2018	**1,882**

2016/17 € thousands	companies consolidated at equity
1 March 2016	**1,768**
Share of profits	189
28 February 2017	**1,957**

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

(19) Inventories

€ thousands	28/02/2018	28/02/2017
Raw materials and supplies	17,501	17,145
Work in progress	4,286	4,560
Finished goods and merchandise	44,215	41,401
	66,002	**63,106**

There was a volume-related increase of € 2.9 million in inventories to € 66.0 million. Overall, impairments of € 0.1 (0.5) million were charged to inventories.

(20) Trade receivables and other assets

€ thousands	28/02/2018	28/02/2017
Trade receivables	54,958	64,955
Other assets	20,321	19,837
	75,279	**84,792**

Trade receivables declined by € 10.0 million to € 55.0 million. Their book value is derived as follows:

€ thousands	28/02/2018	28/02/2017
Total trade receivables	55,987	66,156
Allowance for doubtful receivables	-1,029	-1,201
Book value	**54,958**	**64,955**

The valuation allowances for trade receivables have developed as follows:

€ thousands	2017/18	2016/17
Allowance for doubtful receivables at 1 March	**1,201**	**422**
Additions	15	971
Utilised	-56	-94
Released	-131	-98
Allowance for doubtful receivables at 28 February	**1,029**	**1,201**

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

€ thousands	28/02/2018	28/02/2017
Receivables not yet due and not doubtful	52,915	58,318
Past due receivables but not doubtful		
less than 10 days	761	4,422
between 11 and 30 days	1,121	958
between 31 and 90 days	155	541
more than 90 days	6	716
Book value	54,958	64,955
Valuation allowances for doubtful receivables	1,029	1,201
Total trade receivables	**55,987**	**66,156**

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

Other assets, amounting to € 20.3 (19.8) million, mainly consist of other taxes of € 8.5 (7.2) million, receivables in the form of ring-fenced credits for hedges of € 6.8 (6.4) million, receivables from advance payments of € 3.1 (2.3) million, other receivables of € 1.7 (2.0) million and positive mark-to-market values of derivative hedging instruments of € 0.2 (1.9) million.

(21) Shareholders' equity

Subscribed capital I CropEnergies AG's subscribed capital (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.

Capital reserves I The capital reserve was unchanged at € 197.8 (197.8) million as of the balance sheet date. This reserve includes external flows of funds required to be included by Section 272 of the German Commercial Code (HGB), which resulted from the share premium from capital increases under consideration of IFRS-required reductions and associated costs – including taxes to be paid.

Other reserves and other comprehensive income I The other reserves and other comprehensive income 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" item contains the changes in the mark-to-market values – including deferred taxes – of wheat and currency derivatives including accruals amounting to € -4.5 (6.7) 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 € 6.7 (-6.1) million.

Together with revenue reserves and other comprehensive income of € 160.6 (140.7) million, shareholders' equity amounts to € 445.7 (425.8) 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 12 July 2016 cancelled the remaining authorised capital of € 12.75 million existing from 2011 (Authorised Capital 2011) and created new authorised capital (Authorised Capital 2016) to broaden the company's room for manoeuvre with regard to any capital increases. The executive board is now authorised, with the consent of the supervisory board, to increase the share capital of the company within the period until 11 July 2021 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. Neither of the authorisations (Authorised Capital 2011 or Authorised Capital 2016) was exercised in the 2017/18 financial year.

(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 € 2.4 (2.4) 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	28/02/2018	28/02/2017
Defined benefit obligation for direct pension benefits	24,517	25,227
Fair value of plan assets	-2,850	-2,779
Provisions for pensions and similar obligations (net defined benefit obligation)	**21,667**	**22,448**
Discount rate in %	2.36	2.10

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. € 0.2 million was allocated to service cost for boards in the 2017/18 financial year. 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 € 19.4 (19.7) million are financed by provisions with the present values of € 19.5 (19.8) million, which are 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 € 4.7 (4.9) million is offset by plan assets totalling € 2.8 (2.7) million, exist for employees in Belgium. The 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 € 0.4 (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
1 March 2017	**25,227**	**-2,779**	**22,448**
Expenses for company pension plans (Income statement)			
Current service cost	1,697		1,697
Past service cost	-211		-211
Interest expense / income	523	-61	462
	2,009	**-61**	**1,948**
Remeasurement recognised in other comprehensive income			
Gains (-) and losses (+) on actual return on plan assets		-31	-31
Losses (+) and gains (-) from changes in financial assumptions	-1,683		-1,683
Losses (+) and gains (-) on experience adjustments	-578		-578
	-2,261	**-31**	**-2,292**
Benefit, payments, contributions and other			
Employer contributions to plan assets		-352	-352
Participants contributions to plan assets	23	-23	0
Benefit payments	-357	336	-21
Transference	-83		-83
Other	-41	60	19
	-458	**21**	**-437**
28 February 2018	**24,517**	**-2,850**	**21,667**

€ thousands	Defined benefit obligation	Fair value of plan assets	Provisions for pensions and similar obligation
1 March 2016	**21,831**	**-2,417**	**19,414**
Expenses for company pension plans (Income statement)			
Current service cost	1,698		1,698
Past service cost	0		0
Interest expense / income	485	-66	419
	2,183	**-66**	**2,117**
Remeasurement recognised in other comprehensive income			
Gains (-) and losses (+) on actual return on plan assets		-52	-52
Losses (+) and gains (-) from changes in financial assumptions	691		691
Losses (+) and gains (-) on experience adjustments	717		717
	1,408	**-52**	**1,356**
Benefit, payments, contributions and other			
Employer contributions to plan assets		-263	-263
Participants contributions to plan assets	23	-23	0
Benefit payments	-32	11	-21
Transference	-155		-155
Other	-31	31	0
	-195	**-244**	**-439**
28 February 2017	**25,227**	**-2,779**	**22,448**

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 € 2.3 (-1.4) million and resulted from adjustment of the discount rate and experience adjustments.

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:

in %	28/02/2018	28/02/2017
Discount rate	2.36	2.10
Salary growth	2.50	2.50
Pension growth	1.50	1.50

Pension provisions were calculated on the basis of an interest rate of 2.40% (2.10%) in Germany and an interest rate of 2.20% (2.10%) 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.

28 February 2018			
€ thousands	Change in actuarial assumption	Defined benefit obligation	Change in %
Present value of the obligation			
Discount rate	Increase by 0.50 percentage point	21,811	-11.0%
	Decrease by 0.50 percentage point	27,716	13.0%
Salary growth	Increase by 0.25 percentage point	25,276	3.1%
	Decrease by 0.25 percentage point	23,868	-2.6%
Pension growth	Increase by 0.25 percentage point	25,194	2.8%
	Decrease by 0.25 percentage point	23,871	-2.6%
Life expectancy	Increase by one year	25,170	2.7%
	Decrease by one year	23,849	-2.7%

28 February 2017			
€ thousands	Change in actuarial assumption	Defined benefit obligation	Change in %
Present value of the obligation			
Discount rate	Increase by 0.50 percentage point	22,345	-11.4%
	Decrease by 0.50 percentage point	28,651	13.6%
Salary growth	Increase by 0.25 percentage point	26,029	3.2%
	Decrease by 0.25 percentage point	24,546	-2.7%
Pension growth	Increase by 0.25 percentage point	25,938	2.8%
	Decrease by 0.25 percentage point	24,549	-2.7%
Life expectancy	Increase by one year	25,918	2.7%
	Decrease by one year	24,523	-2.8%

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 of € 2.9 (2.8) million were invested in insurance contracts.

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 24 (26) years. Employer contributions to plan assets amounting to € 0.2 (0.3) million are expected in the 2018/19 financial year.

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

Future pension and single payments	€ thousands
2018/19	526
2019/20	534
2020/21	277
2021/22	525
2022/23	438
2023/24 to 2027/28	3,442
	5,742

(23) Development of other provisions

2017/18 € thousands	Personnel expenses	Uncertain obligations	Total
1 March 2017	**1,702**	**13,737**	**15,439**
Change due to currency translation	0	-19	-19
Additions	612	6,422	7,034
Utilised	-910	-2,130	-3,040
Released	-69	-60	-129
28 February 2018	**1,335**	**17,950**	**19,285**

The provisions for personnel expenses mainly consist of provisions for service jubilee expenses of € 0.9 (0.9) million, for severance payments of € 0.2 (0.2) million and for phased early retirement schemes of € 0.2 (0.2) million. Of the total of € 1.3 million, € 0.3 million are expected to be utilised in the 2018/19 financial year.

The provisions for uncertain liabilities of € 18.0 (13.7) million mainly comprise provisions of € 10.1 (9.3) million for a tax liability disputed in principle. The provisions for uncertain liabilities also consist of provisions for CO_2 emission rights of € 2.9 (0.5) million and for litigation risks of € 0.9 (0.9) million.

The addition to and utilisation of provisions within the financial year mainly related to CO_2 emission rights and the tax liability disputed in principle.

Of the total amount of provisions of € 18.0 million, € 16.5 million are expected to be utilised in the 2018/19 financial year and the remaining amount over the next five years. The additions to the provisions include compounding costs of € 20 (20) thousand.

(24) Trade payables and other liabilities

€ thousands	28/02/2018	28/02/2017
Trade payables	55,489	57,714
Other liabilities	15,167	16,632
	70,656	**74,346**

Trade payables declined by € 2.2 million to € 55.5 million.

Other liabilities, amounting to € 15.2 (16.6) million, mainly comprise liabilities in respect of personnel expenses of € 7.4 (7.2) million, liabilities in respect of other taxes of € 3.7 (4.8) million, negative mark-to-market values of derivative hedging instruments of € 3.4 (2.1) million and other liabilities of € 0.7 (2.5) million.

(25) Financial liabilities

		Remaining term			Remaining term	
€ thousands	28/02/2018	to 1 year	over 1 year	28/02/2017	to 1 year	over 1 year
Liabilities to banks	**0**	0	0	**-4,494**	-4,494	0
Liabilities to affiliated companies	**0**	0	0	**-18,769**	-3,461	-15,308
Liabilities from finance leasing	**0**	0	0	**-21**	-21	0
Financial liabilities	**0**	**0**	**0**	**-23,284**	**-7,976**	**-15,308**
Cash and cash equivalents	**36,874**			**13,999**		
Net financial assets (+) / net financial debt (-)	**36,874**			**-9,285**		

The net financial position as at 28 February 2018 shows net financial assets of € 36.9 million (as at 28 February 2017: net financial debt of € 9.3 million). The net financial assets consist exclusively of cash and cash equivalents. The average rate of interest on the financial liabilities that existed to some extent over the entire 2017/18 financial year was 0.7% (1.8%).

Financial liabilities were completely reduced in the current financial year.

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:

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 28 February 2018.

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 € 1.4 million as of 28 February 2018. Of this amount, € 0.7 million are 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 € 1.5 (1.2) million are due from the joint venture. The loan is long term and bears interest at the rate of 2.25% p.a.

The CropEnergies Group's cash and cash equivalents of € 36.9 (14.0) 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 are 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 futures and wheat options), where possible and expedient, to limit these risks.

Product price risks can arise as a result of fluctuating ethanol 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 values of derivative financial instruments

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

€ thousands	Nominal value		Market value	
28 February	**2018**	2017	**2018**	2017
Cash flow hedge derivatives				
Wheat futures	73,909	77,976	-2,889	1,059
Currency derivatives	793	9,431	7	50
Total cash flow hedge derivatives	**74,702**	**87,407**	**-2,882**	**1,109**

€ thousands	Nominal value		Market value	
28 February	**2018**	2017	**2018**	2017
Derivatives held for trading				
Ethanol derivatives	13,850	12,150	-377	-1,282
Currency derivatives	573	377	-2	-1
Total derivatives held for trading	**14,423**	**12,527**	**-379**	**-1,283**

All derivatives have maturities of less than one year.

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 are 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 € 73.9 (78.0) million with a market value of € -2.9 (1.1) 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 increased or decreased by € 7.1 million.

Price risks from purchase and 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 € 13.9 (12.2) million with a market value of € -0.4 (-1.3) million. 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 increased or decreased by € 0.8 million.

The total volume of currency derivatives was € 1.4 (9.8) million, with a market value of € 5 (49) thousand. Currency derivatives are measured 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, recognised in shareholders' equity and, to some extent, in deferred taxes, would have changed by € -12 and € 30 thousand, respectively.

Credit risks can arise from positive market values of derivatives. As of 28 February 2018, the positive market value amounted to € 0.0 (1.1) 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 28 February 2018 was € -2.9 (1.1) million. Ineffective transactions amounting to € 0.5 (0.2) million were recognised in the 2017/18 financial year.

(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 (Financial Instruments: Recognition and Measurement). 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)	28 February 2018		28 February 2017	
€ thousands		Book value	At fair value through profit or loss	Book value	At fair value through profit or loss
Financial assets					
Trade receivables	Loans and receivables	54,958	54,958	64,955	64,955
Other assets	Loans and receivables	8,628	8,628	8,525	8,525
Cash and cash equivalents	Loans and receivables	36,874	36,874	13,999	13,999
Derivatives held for trading (positive market value)	FAHfT*	48	48	768	768
Cash flow hedge derivatives (positive market value)	n/a (Hedge Accounting)	104	104	1,109	1,109
		100,612	100,612	89,356	89,356
Financial liabilities					
Liabilities to banks	Other financial liabilities	0	0	4,494	4,494
Liabilities to affiliated companies	Other financial liabilities	0	0	18,769	19,164
Trade payables	Other financial liabilities	55,489	55,489	57,714	57,714
Other liabilities	Other financial liabilities	610	610	2,559	2,559
Derivatives held for trading (negative market value)	FLHfT**	427	427	2,051	2,051
Cash flow hedge derivatives (negative market value)	n/a (Hedge Accounting)	2,986	2,986	0	0
		59,512	59,512	85,587	85,982

Sum totals of valuation categories € thousands	Book value	At fair value through profit or loss	Book value	At fair value through profit or loss
Loans and receivables	100,460	100,460	87,479	87,479
FAHfT*	48	48	768	768
FLHfT**	427	427	2,051	2,051
Other financial liabilities	56,099	56,099	83,536	83,931

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	2017/18	2016/17
Loans and receivables	2,007	2,698
FAHfT* and FLHfT**	-2,387	844
Other financial liabilities	-3,047	-5,294

**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.

The total interest result from financial instruments not measured at fair value was € 1.0 (1.7) million. This consists of interest income of € 0.1 (0.1) million and interest expenses of € 1.1 (1.8) million.

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 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 financial liabilities in the previous year. 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 2017/18 financial year, no reclassifications were made between the respective measurement levels.

	Fair-Value-Hierarchy							
€ thousands	28 February 2018	Level 1	Level 2	Level 3	28 February 2017	Level 1	Level 2	Level 3
Positive market values – Cash flow hedge derivatives	104	97	7	0	1,109	1,059	50	0
Positive market values – Derivatives held for trading	48	48	0	0	768	768	0	0
Financial assets	**152**	**145**	**7**	**0**	**1,877**	**1,827**	**50**	**0**
Negative market values – Cash flow hedge derivatives	2,986	2,986	0	0	0	0	0	0
Negative market values – Derivatives held for trading	427	425	2	0	2,051	2,050	1	0
Liabilities to banks	0	0	0	0	4,494	0	4,494	0
Liabilities to affiliated companies	0	0	0	0	19,164	0	19,164	0
Financial liabilities	**3,413**	**3,411**	**2**	**0**	**25,709**	**2,050**	**23,659**	**0**

Impairments on financial instruments were only necessary in trade receivables and amounted to € 1.0 (1.2) 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 mark-to-market values of the currency 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 2017/18 financial year, CropEnergies incurred expenses of € 0.5 (0.5) 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.

(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 I The CropEnergies Group's trade receivables are mostly in relation to customers in the 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 I 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 table shows the maturities of the liabilities as of 28 February. All cash outflows are undiscounted.

€ thousands 28 February 2018	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	0	0	0	0	0	0	0	0
Liabilities to affiliated companies	0	0	0	0	0	0	0	0*
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Liabilities from								
Trade payables	55,489	55,489	55,489	0	0	0	0	0
Other liabilities	610	610	610	0	0	0	0	0
Derivatives held for trading (negative market value)	427	427	427	0	0	0	0	0
Cash flow hedge derivatives (negative market value)	2,986	2,986	2,986	0	0	0	0	0
	59,512	**59,512**	**59,512**	**0**	**0**	**0**	**0**	**0**
	59,512	**59,512**	**59,512**	**0**	**0**	**0**	**0**	**0**

€ thousands 28 February 2017	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	4,494	4,539	4,539	0	0	0	0	0
Liabilities to affiliated companies	18,769	19,683	3,684	2,660	2,640	2,621	2,602	5,476*
	23,263	**24,222**	**8,223**	**2,660**	**2,640**	**2,621**	**2,602**	**5,476**
Liabilities from								
Trade payables	57,714	57,714	57,714	0	0	0	0	0
Other liabilities	2,559	2,559	2,559	0	0	0	0	0
Derivatives held for trading (negative market value)	2,051	2,051	2,051	0	0	0	0	0
Cash flow hedge derivatives (negative market value)	0	0	0	0	0	0	0	0
	62,324	**62,324**	**62,324**	**0**	**0**	**0**	**0**	**0**
	85,587	**86,546**	**70,547**	**2,660**	**2,640**	**2,621**	**2,602**	**5,476**

**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. Financial liabilities have been completely reduced in the current financial year. 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 small 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 bioethanol cannot be quantified.

Interest rate risk I CropEnergies is exposed to the risk of interest rate changes in the euro zone, with the interest rate risk relating mainly to financial liabilities. As at 28 February 2018, financial liabilities have been completely reduced.

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 a comprehensive control process.

Other disclosures

(30) Contingent liabilities and other financial commitments

On the reporting date, there were open purchase order commitments of € 4.5 (11.7) million for capital expenditures and € 160.8 (171.4) million for raw materials. The commitments for capital expenditures mainly relate to optimisation projects in relation to the bioethanol plants. The commitments for raw materials mostly relate to purchase orders for grain, raw alcohol, starch-based raw materials and sugar syrups. There was a purchase order commitment of € 15.8 (34.1) million in relation to the companies of the Südzucker Group.

The obligations resulting from operating leases mainly concern rental contracts for office premises, machines, storage sites, tank wagons, and office equipment. The minimum non-discounted rental payments amount to € 13.6 (2.9) million with the following due date breakdown.

€ thousands	28/02/2018	28/02/2017
Due within the next year	3,744	814
Due within 1 to 5 years	4,729	1,149
Due in more than 5 years	5,138	948
	13,611	**2,911**

Of the total amount of € 13.6 (2.9) 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 € 1.4 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 € 50.8 (68.8) million. Throughout the 2017/18 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 € 0.58 (0.79), 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 reduction in EBITDA to € 110.8 (134.8) million, cash flow also declined to € 89.6 (107.2) million. Including the change in net working capital, cash flow from operating activities amounted to € 91.8 (85.4) million.

The cash outflows for tax payments amounted to € 20.1 (24.8) million and are attributable to operating activities. In addition, there were interest expenses of € 0.6 (1.4) million, likewise attributable to operating activities. The capital expenditures of € 19.5 (16.1) million for property, plant and equipment and intangible assets were mainly accounted for by investment in property, plant and equipment. The investments particularly served to develop, and make improvements in, the production plants.

As of 28 February 2018, cash and cash equivalents amounted to € 36.9 (14.0) million.

Financial liabilities developed as follows:

€ thousands	2017/18	2016/17
1 March	**23,284**	**73,709**
Changes in costs affecting cash	-23,284	-50,425
28 February	**0**	**23,284**

Financial liabilities have been completely reduced, with the receipt of financial liabilities amounting to € 12.5 (10.4) million being offset by repayments of € 35.8 (60.8) million. Furthermore, a dividend of € 26.2 million was paid in July 2017.

(33) Group auditor's fees

For services performed by the Group's independent auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, expenses of € 129 (129) thousand were incurred in the 2017/18 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 miscellaneous attestation services in the current financial year amounting to € 12 (0) thousand. There were neither tax consultancy 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 13 November 2017. It is available permanently to CropEnergies AG shareholders on the company's website at 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 € 41.0 (44.5) million. In addition, services worth € 3.4 (3.8) million, research & development work worth € 1.2 (1.3) million as well as other services worth € 1.1 (1.0) million were provided.

Set against this, the CropEnergies Group received € 2.0 (3.4) million from Südzucker AG for supplies of goods and € 0.1 (0.2) million by way of service revenues. The CropEnergies Group incurred net interest expense of € 0.6 (1.4) million on intercompany lendings and borrowings.

On the balance sheet date, there were receivables of € 0.5 (1.3) million outstanding from Südzucker AG and liabilities of € 2.3 (5.2) million outstanding to Südzucker AG in respect of the aforesaid related party transactions. Financial liabilities due to Südzucker AG were completely reduced (previous year: € 15.8 million).

Affiliated companies of Südzucker AG | The transactions with the affiliated companies of Südzucker AG involved supplies, especially raw materials and traded commodities, amounting to € 61.8 (71.2) million. In addition, services worth € 0.8 (0.9) million were provided.

Set against this, the CropEnergies Group received € 71.4 (72.2) million from the affiliated companies of Südzucker AG for supplies of goods. In addition, the CropEnergies Group received compensation payments of € 0.5 (0.4) million and service revenues of € 0.5 (0.6) million.

On the balance sheet date there were receivables of € 11.7 (9.8) million outstanding from the affiliated companies of Südzucker AG and liabilities of € 8.8 (8.4) million outstanding to Südzucker AG in respect of the aforesaid related party transactions. Financial liabilities due to the affiliated companies of Südzucker AG were completely reduced (previous year: € 3.0 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 | Services were provided and goods were supplied, at usual market prices, for the joint venture CT Biocarbonic GmbH amounting to € 1.3 (1.4) million. Furthermore, loan receivables of € 1.5 (1.2) million are due from CT Biocarbonic GmbH on the reference date.

Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG | There were no transactions or outstanding balances with Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG (SZVG) on the reference date.

Executive board | The executive board received total compensation for the 2017/18 financial year of € 1,236 (1,162) thousand, with the fixed annual salary accounting for € 666 (638) thousand. € 507 (463) thousand was paid as variable compensation. € 63 (60) thousand was paid in the form of non-monetary benefits and social insurance contributions.

Pension provisions for active executive board members amounted to € 5.8 (6.0) million. € 0.2 million was released in the 2017/18 financial year (previous year: addition of € 0.2 million). Pension provisions of € 0.8 million exist for former executive board members. The payments for former executive board members amount to € 0.1 million.

Supervisory board | Assuming that the annual general meeting approves the proposed dividend on 17 July 2018, the compensation for the entire activities of the supervisory board members of CropEnergies AG will amount to € 250 (263) thousand for the 2017/18 financial year, with the fixed compensation accounting for € 200 (175) thousand. In addition, out-of-pocket expenses amounting to € 8 (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 69–72.

(36) Supervisory board

Prof. Dr. Markwart Kunz
Chairman

Braunschweig
Former member of the executive board of Südzucker AG

Thomas Kölbl
Deputy Chairman

Speyer
Member of the executive board of Südzucker *AG*

Positions held in national supervisory boards stipulated by law
- *K+S Aktiengesellschaft, Kassel*

Group positions
- *AGRANA Stärke GmbH, Vienna (Austria)*
- *AGRANA Zucker GmbH, Vienna (Austria)*
- *ED&F MAN Holdings Limited, London (United Kingdom)*
- *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, Wroclaw (Poland)*
- *Südzucker Versicherungs-Vermittlungs-GmbH, Mannheim (Chairman)*

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), (2nd 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)*

Dr. Wolfgang Heer

Ludwigshafen am Rhein
Chairman of the executive board of Südzucker *AG*

Group positions
- *AGRANA Beteiligungs-AG, Vienna (Austria), (1st Deputy Chairman)*
- *AGRANA Zucker, Stärke und Frucht Holding AG, Vienna (Austria), (Chairman)*
- *ED&F MAN Holdings Limited, London (United Kingdom)*
- *Freiberger 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, Wroclaw (Poland), (Deputy Chairman)*
- *Z & S Zucker und Stärke Holding AG, Vienna (Austria), (Deputy Chairman)*

Franz-Josef Möllenberg

Rellingen
Former chairman of the Gewerkschaft Nahrung-Genuss-Gaststätten (Union)

Other positions held in national supervisory boards stipulated by law
- *Südzucker AG, Mannheim (1st Deputy Chairman)*

Norbert Schindler

Bobenheim am Berg
President of the Chamber of Agriculture of Rhineland-Palatinate

Positions held in comparable national and foreign supervisory bodies
- *Sparkasse Rhein-Haardt, Bad Dürkheim*
- *Süddeutsche Zuckerrüben-Verwertungs-Genossenschaft eG, Stuttgart*

Supervisory board committees

Audit committee
Thomas Kölbl *(Chairman)*
Dr. Wolfgang Heer
Prof. Dr. Markwart Kunz
Franz-Josef Möllenberg

Nomination committee
Thomas Kölbl *(Chairman)*
Dr. Wolfgang Heer
Prof. Dr. Markwart Kunz
Franz-Josef Möllenberg

(37) Executive board

Joachim Lutz (CEO)
Mannheim
First appointed: 4 May 2006
Executive board spokesman since 30 April 2015
Appointed until: 3 May 2021

Michael Friedmann (CSO)
Mannheim
First appointed: 30 April 2015
Appointed until: 29 April 2020

Dr. Stephan Meeder (CFO)
Mannheim
First appointed: 30 April 2015
Appointed until: 29 April 2020

(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 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) amount to € 50.8 (68.8) million. After an allocation of € 15.5 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, reached € 22.2 million.

The executive board and supervisory board will propose to the annual general meeting on 17 July 2018 that, from the unappropriated profit of CropEnergies AG of € 21.8 million, a corresponding dividend of € 0.25 per share be distributed and the remaining unappropriated profit of € 0.4 million be carried forward.

(40) 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.

(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 that can be commercially distributed independently are produced in related or identical production processes. 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).

CropEnergies uses ROCE (return on capital employed, the ratio of operating profit to capital employed) as an indicator to determine whether the operating segments have the same economic characteristics and a similar long-term revenue development. The ROCE of the operating segments has a similar long-term range.

The operating segments are also comparable in terms of the nature of the products and production processes, customer types, sales methods and regulatory framework.

The operating segments can therefore be combined into one reporting segment in accordance with IFRS 8. Business transactions between the operating segments were carried out at usual market prices and eliminated.

€ million	28/02/2018	28/02/2017
Total assets	592.3	597.9
Capital Employed	457.8	484.3
Inventories	66.0	63.1
Total liabilities	-146.6	-172.1
Net financial position	36.9	-9.3
Expenditures on property, plant and equipment and intangible assets	19.5	16.1
Number of employees	414	412

€ million	28/02/2018	28/02/2017
Carrying amount fixed and intangible assets		
Germany	131.1	138.2
Other countries	271.3	286.5
	402.4	**424.7**
Third-party revenues	**2017/18**	**2016/17**
Germany	277.2	325.5
Other countries	604.8	476.2
	882.0	**801.7**
Expenditures on property, plant and equipment and intangible assets*		
Germany	7.6	4.6
Other countries	11.9	11.5
	19.5	**16.1**

** Including assets under construction*

Statement of comprehensive income

1 March 2017 to 28 February 2018

€ thousands	Reporting segment	Consolidation	Group
Income statement			
Revenues	**1,080,158**	**-198,195**	**881,963**
Change in work in progress and finished goods inventories and internal costs capitalised	-199	1,033	834
Other operating income	6,084	-2,785	3,299
Cost of materials	-872,273	195,203	-677,070
Personnel expenses	-35,297	0	-35,297
Depreciation	-39,861	700	-39,161
Other operating expenses	-66,933	3,209	-63,724
Income from companies consolidated at equity	0	-75	-75
Income from operations	**71,679**	**-910**	**70,769**
Financial result	-1,108	164	-944
Earnings before income taxes	**70,571**	**-746**	**69,825**
Taxes on income	-19,271	255	-19,016
Net earnings for the year	**51,300**	**-491**	**50,809**

1. March 2016 to 28 February 2017

€ thousands	Reporting segment	Consolidation	Group
Income statement			
Revenues	**995,730**	**-193,994**	**801,736**
Change in work in progress and finished goods inventories and internal costs capitalised	6,680	-1,286	5,394
Other operating income	8,517	-2,522	5,995
Cost of materials	-784,422	194,067	-590,355
Personnel expenses	-33,371	-689	-34,060
Depreciation	-40,064	690	-39,374
Other operating expenses	-58,540	2,886	-55,654
Income from companies consolidated at equity	0	189	189
Income from operations	**94,530**	**-659**	**93,871**
Financial result	-4,305	193	-4,112
Earnings before income taxes	**90,225**	**-465**	**89,760**
Taxes on income	-20,871	-110	-20,981
Net earnings for the year	**69,354**	**-575**	**68,779**

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 2017/18 financial year, the CropEnergies Group derived 14.0% (16.8%) 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, 23 April 2018

THE EXECUTIVE BOARD

Joachim Lutz CEO	Michael Friedmann CSO	Dr. Stephan Meeder CFO

INDEPENDENT AUDITOR’S REPORT

To CropEnergies AG, Mannheim

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of CropEnergies AG, Mannheim, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at February 28, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from March 1, 2017 to February 28, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of CropEnergies AG for the financial year from March 1, 2017 to February 28, 2018. We have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at February 28, 2018, and of its financial performance for the financial year from March 1, 2017 to February 28, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from March 1, 2017 to February 28, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

❶ Financial instruments – hedge accounting

Our presentation of this key audit matter has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matter:

❶ Financial instruments – hedge accounting

① The companies of the CropEnergies Group use derivative financial instruments. These include in particular wheat futures for the purpose of hedging commodity price risks arising in the ordinary course of business. Commodities price risks result primarily from the procurement of agricultural commodities such as wheat, to the extent it is not possible to rule out risks of changing prices through the use of physical settlement agreements. The total notional volume of outstanding wheat futures as of February 28, 2018 amounted to EUR 73.9 million. The negative fair value of the derivative financial instruments used as wheat price hedges amounts to EUR 2.9 million as of the balance sheet date. If the financial instruments used by the CropEnergies Group are effective hedges of future cash flows in the context of hedge accounting in accordance with the requirements of IAS 39, the effective portion of the changes in fair value are recognized directly in equity over the duration of the hedging relationship until the maturity of the hedged cash flows. In financial year 2017/18, ineffective portions in the amount of EUR 0.5 million were recognized in profit or loss.

On the ethanol market, purchase agreements are entered into with customers, with the sales price indexed to a variable ethanol price. The companies of the CropEnergies Group have therefore concluded derivative financial instruments (ethanol futures) with a notional volume totaling EUR 13.9 million to hedge against price fluctuations arising from the sale of ethanol. The negative fair value of the derivative financial instruments used as ethanol price hedges amounts to EUR 0.4 million as of the balance sheet date. Given that the ethanol futures are not designated as a hedging relationship, the market fluctuations are recognized through profit or loss in the statement of comprehensive income.

From our point of view, these matters were of particular significance for our audit due to the high complexity and number of transactions as well as the extensive accounting and reporting requirements under IAS 39.

② As a part of our audit and together with the support of our internal specialists from Corporate Treasury Solutions, we, among other things, assessed the internal control system established by the Company in the area of the commodities derivatives used. We obtained bank confirmations in order to assess the completeness of and to examine the fair values of the outstanding transactions. We verified the market data used to determine the fair values on the basis of external sources. We assessed the hedge documentation and effectiveness tests, among other things, to verify that the requirements of IAS 39 for designation as a hedging relationship were duly met. In addition, we examined the hedge accounting, particularly in relation to the effects on equity and earnings. We verified that the conditions for applying hedge accounting and the estimates and assumptions made by the executive directors were sufficiently substantiated and documented.

③ The Company's disclosures on the accounting treatment of hedging relationships are contained in sections (5) "Accounting principles", (20) "Trade receivables and other assets", (27) "Derivative financial instruments", and (28) "Additional disclosures on financial instruments" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance" of the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (except for compensation report)
- the section "sustainability report" of the group management report

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on July 18, 2017. We were engaged by the supervisory board on July 18, 2017. We have been the group auditor of the CropEnergies AG, Mannheim, without interruption since the financial year 2006/2007.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Conrad.

Mannheim, 23 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad	ppa. Martin Knoll
Auditor	Auditor

GLOSSARY

Alcohol I ➔ Ethanol

Bioethanol I ➔ Ethanol 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 I Fuels obtained from biomass (e.g., ➔ Ethanol, biodiesel, biogas, vegetable oil).

Biofuel Sustainability Regulation (Biokraft-NachV) I 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) I Adding ➔ Ethanol 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).

Carbon dioxide (CO_2) I 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 CO_2 previously absorbed during growth is released. CO_2 is the principal ➔ Greenhouse gas. CO_2 can be used in the food and packaging industries.

CDS (Concentrated Distillers' Solubles) I Liquid animal feed from ➔ Stillage which is produced in the production of ➔ Ethanol from grain and is then thickened.

Cellulose I Structural substance of plants, main component of cell walls. Cellulose is a polysaccharide consisting of several thousand ß-glucose components. It can be broken down by mineral acids, enzymes or fungi ("wood saccharification", "wood alcohol production"). Processes for the production of ➔ Ethanol from cellulose are currently under development.

CO_2 I ➔ Carbon dioxide.

D&O Insurance (Directors and Officers Insurance, also Board or Senior Officer Liability Insurance) I 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) I Dry stillage. DDGS is the dried ➔ Stillage produced in the production of ethanol from grains and is used as a valuable protein animal feed.

Dehydration I Term used for the so-called "drying" of ➔ Alcohol. In this last step of ➔ Ethanol production, virtually all the remaining water is removed from the ➔ Alcohol, thus achieving a purity level of over 99%.

Distillation I 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 I Fuel for petrol engines with up to 5 vol.-% ➔ Ethanol.

E10 I Fuel for petrol engines with up to 10 vol.-% ➔ Ethanol.

E20 I Fuel for petrol engines with up to 20 vol.-% ➔ Ethanol. Most newer models could run on this fuel without any problems.

E85 I Fuel for flexible fuel vehicles (➔ FFVs). E85 is an ethanol-petrol mixture with an ethanol content of approximately 85%. In Germany, it is regulated by the DIN 51625 standard.

Enzyme I Archaic: ferment. A biochemical catalyst that helps to break down or change a substrate without being consumed itself. Enzymes consist of protein.

Ethanol I Also known as bioethanol, 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 and as a fuel on its own, but also in the chemical and pharmaceutical industry.

Fermentation I 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 ➔ Ethanol, the sugar contained in the mash is converted by yeast into ➔ Alcohol.

FFVs (flexible fuel vehicles) I FFVs are “fuel flexible”, that is to say, they can be fuelled by both pure petrol and – in Europe – by up to 86% ➔ Ethanol. They have one tank and detect the mixture of ➔ Ethanol and petrol by means of a sensor. The engine management system automatically adjusts the ignition timing to the composition of the mixture.

Fraud I Fraud refers to any intentional action, acquiescence or omission for the purpose of personal enrichment that is likely to have a negative impact on company success or cause damage to third parties. CropEnergies’ compliance management and corporate principles stipulate that such cases must be prevented or detected and processed.

Fuel Quality Directive I 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 I 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 I A tenacious elastic protein contained in cereal grains. It is used in the production of food products (particularly bakery goods) and special animal feeds. Gluten is of central importance for the baking properties of flour.

GMP+ I Guidelines for quality assurance of the production processes and environment, among other things, in the production of food and animal feed products.

Grain year I 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 I 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) I 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 I 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.

Inside information in accordance with Article 17 of MAR I The “Market Abuse Regulation” (MAR) prescribed by the EU aims to prevent insider dealing and market manipulation. Article 17 makes it an obligation to publish market-relevant information so that other market participants are not disadvantaged in relation to company insiders. Listed companies such as CropEnergies AG need to publish this information on an ad hoc basis, i.e., as soon as possible.

ProtiGrain® I Brand name for the ➔ DDGS produced by CropEnergies. It is marketed as high-grade protein animal feed.

ProtiWanze® I Brand name for the ➔ CDS produced by CropEnergies in Wanze. It is a liquid animal feed with a high protein content.

Rectification I A step in the ethanol production process in which the ➔ Alcohol is purified and residues are removed.

Renewable Energies Directive I 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 Directive”) of 9 September 2015.

Scope I 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 reporting company (e.g., own power stations). Indirect (scope 2) GHG emissions result from the generation of electric or thermal energy which the reporting company has purchased from third parties for its own use.

Severance payment cap I The upper limit on the amount of compensation that a member of the executive board receives if his contract is prematurely terminated.

Stillage I 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 I Intermediate and co-products in sugar production. CropEnergies uses sugar syrups in its ethanol plants as raw material for the production of → Ethanol.

Sustainability certification I 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 I 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) I 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 I 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.

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Financial calendar

Statement for the 1st quarter of 2018/19	11 July 2018
Annual general meeting 2018	17 July 2018
1st half-yearly report 2018/19	10 October 2018
Statement for the 1st to 3rd quarters of 2018/19	9 January 2019
Annual report press and analysts' conference financial year 2018/19	15 May 2019

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