Press release

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Südzucker confirms guidance for current fiscal year in face of difficult market environment

Südzucker AG Mannheim/Ochsenfurt, Mannheim, generated consolidated group revenues of EUR 3,482 (previous year: 3,937) million in the first six months of the current 2014/15 fiscal year (1 March 2014 to 31 August 2014), substantially less than last year at the same time. The CropEnergies segment was able to report higher revenues, but the sugar, fruit and special products segments' revenues were all lower. Consolidated group operating profit fell sharply as forecasted, to EUR 147 (previous year: 407) million. The main reason for the decline was the sugar segment's reduced operating profit, but the CropEnergies and fruit segments weren't able to match last year's numbers either. Special products was the only segment to generate higher profits than a year earlier.

Guidance for the current fiscal year confirmed

Südzucker continues to forecast that consolidated group revenues for the current fiscal 2014/15 year overall will decline to about EUR 7.0 (previous year: 7.5) billion and that operating profit will drop sharply, to about EUR 200 (previous year: 622) million. The forecast, most recently confirmed at the annual general meeting, was based on expectations that the business situation in the European sugar and ethanol markets will continue to deteriorate. This projections have been confirmed and the situation has in fact worsened. Being able to reach the projected consolidated group operating profit has thus become more challenging. The decline in consolidated group operating profit continues to be driven primarily by sharply lower earnings in the sugar and CropEnergies segments.

Continuously falling sugar prices weigh on third quarter outlook

Südzucker expects group operating profit for the third quarter of the current 2014/15 fiscal year to be sharply lower than at the same time last year. As of the third quarter – at the start of the new campaign year – new contracts that will generate even lower quota sugar sales revenues will take effect. Furthermore, inventories of product produced during the 2013 campaign when production costs were high will have to be sold as prices continue to decline, which will also weigh on operating profit.

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Sugar segment struggles with sharply lower prices

The sugar segment's revenues fell to EUR 1,699 (previous year: 2,085) million in the first six months of fiscal 2014/15. The main reason for this decline is sinking quota sugar sales revenues. Although quota sugar volume was up, export prices for non-quota sugar were lower than last year as world market prices retreated.

As forecasted, operating profit dropped sharply to EUR 68 (previous year: 304) million. The decline was mainly due to dramatically falling quota sugar sales revenues, especially from the Southern and Eastern European markets. Quota sugar sales revenues continued their downward trend in the second quarter.

Beet yield from sugar beet processing hits new high

Early planting and regular adequate rainfall during the entire summer, combined with favorable temperatures, caused beets to flourish. At 76 (previous year: 67) tonnes per hectare, all group companies are thus expecting beet yields to set new records - above the five-year average. Harvest conditions at the beginning of the campaign in mid-September were generally excellent. Except for Germany and some factories in the east, overall campaign durations at Südzucker Group will be longer than 120 days.

Special product segment's operating profit rises thanks to lower costs

The special product segment's revenues came in slightly lower than last year at EUR 855 (previous year: 883) million, mainly because of lower sales revenues. However, the segment was able to boost operating profit to EUR 45 (previous year: 34) million. Cost cuts combined with steady sales volume overall more than offset lower sales revenues.

CropEnergies' operating profit negative due to falling prices

The CropEnergies segment was again able to grow revenues, to EUR 372 (previous year: 341) million. Contributions due to higher volumes of bioethanol and food and animal feed more than offset significantly lower sales revenues from ethanol. The plant in Wilton, Great Britain, which was not included in last year's report at this time, accounted for much of the volume increase. Production and volume were also higher at other locations.

Operating profit on the other hand dropped to EUR minus 4 (previous year: 26) million during the period covered by the report, due mainly to significantly reduced sales revenues from ethanol, which continued to slide in the second quarter. Although net raw material costs were also down substantially, the savings generated were not enough to offset the lower sales revenues.

Fruit segment earnings and revenues retreat

The fruit segment's revenues dropped steeply from last year, coming in at EUR 556 (previous year: 628) million. Fruit preparations volume held steady at close to last year's level, but foreign currency exchange effects related to the strong euro caused revenues to decline. Revenues for fruit juice concentrates were down sharply as a result of lower sales revenues and volume, especially for the business unit's main product, apple juice concentrate.

The fruit segment's operating profit was also significantly less than last year, coming in at EUR 38 (previous year: 43) million. However, the segment was able to maintain its operating margin, which is attributable to the successful implementation of material and structural cost savings programs in prior years.

Group figures as of 31 August 2014:

€ million		2nd quarter			1st half year		
		2014/15	2013/14	+/- in %	2014/15	2013/14	+/- in %
Revenues	€ million	**1.709**	**1.958**	**-12,7**	**3.482**	**3.937**	**-11,6**
EBITDA	€ million	102	237	-56,8	249	506	-50,9
Depreciation on fixed assets and intangible assets	€ million	-51	-50	2,2	-102	-99	2,9
Operating profit	€ million	**51**	**187**	**-72,6**	**147**	**407**	**-63,9**
Result from restructuring/special items	€ million	7	-3	-	7	-1	-
Income from companies consolidated at equity	€ million	9	15	-37,7	19	26	-26,8
Income from operations	€ million	**67**	**199**	**-66,6**	**173**	**432**	**-60,0**
EBITDA margin	%	6,0	12,1		7,1	12,9	
Operating margin	%	3,0	9,6		4,2	10,3	
Investments in fixed assets	€ million	102	103	-1,5	168	166	1,1
Investments in financial assets/acquisitions	€ million	0	0	-	0	0	-100,0
Total investments	€ million	**102**	**103**	**-1,6**	**168**	**166**	**1,0**
Shares in companies consolidated at equity	€ million				309	270	14,4
Capital employed	€ million				5.724	5.731	-0,1
Employees					18.477	18.100	2,1

[1] Including intangible assets.

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About the Südzucker Group

Südzucker, with its sugar, special products, CropEnergies and fruit segments, is one of the leading companies in the food industry. In the traditional sugar business, the group is the world market leader, with 29 sugar factories and three refineries, extending from France in the west via Belgium, Germany and Austria, through to Poland, the Czech Republic, Slovakia, Romania, Hungary, Bosnia and Moldova in the east. The special products segment, consisting of the functional food (BENEO), chilled/frozen products (Freiberger), portion packs (PortionPack Europe) and starch divisions, is an important growth driver. The CropEnergies segment covers the bioethanol activities in Germany, Belgium, France and the UK. In the fruit segment, the group operates internationally, is the world market leader for fruit preparations and is a leading supplier of fruit juice concentrates in Europe.

In 2013/14, the group employed 18,186 persons and generated revenues of EUR 7.5 billion.