

Press release

Mannheim, 11 October 2018

Südzucker reports significant drop in results during the first half of the year

Südzucker AG generated consolidated group revenues of EUR 3,475 (previous year: 3,493) million during the first half (1 March to 31 August 2018) of the current fiscal year 2018/2019. The group's consolidated operating result dropped sharply during the same period to EUR 139 (previous year: 282) million. In the second quarter (1 June to 31 August 2018) consolidated group revenues reached EUR 1,734 (previous year: 1,710) million and the group's consolidated operating result declined considerably to EUR 62 (previous year: 128) million. The decline is mainly attributable to lower results in the sugar and CropEnergies segments.

Lower sugar sales revenues caused sharply reduced result in the sugar segment

The sugar segment's revenues fell to EUR 1,389 (previous year: 1,516) million in the first half of fiscal 2018/19, despite substantially higher sales volumes in exports and in the EU, driven by significantly lower sales revenues.

As expected, the higher sales volumes were by far not enough to offset the once again substantially reduced sales revenues. Last year sales revenues rose in the first half of the fiscal year, but they have been on a steep downward trend since October 2017. This caused operating result in the first half of fiscal 2018/19 to drop to EUR 3 (previous year: 111) million; a loss of EUR -6 (previous year: 47) million was recorded in the second quarter.

2018 beet processing campaign marked by drought

The dry summer in most of the cultivation regions is reflected in Südzucker Group's below-average yield expectation. The average theoretical sugar yield in previous years was 13.2 tonnes of sugar per hectare.

This year's campaign started in late August at Südzucker Moldova. Nearly all of the factories started the campaign between late September and early October.

Special products segment increases revenues considerably

In the special products segment the positive development of the first quarter continued with revenues in the first half of the 2018/19 fiscal year increasing to EUR 1,125 (previous year: 949) million. Ethanol sales revenues were substantially lower than a year earlier again, but this was more than offset due primarily to revenue contributions from frozen pizza producer Richelieu Foods Inc., which were not yet included in the previous year.

In contrast, however, operating result declined, falling in the first half year to EUR 75 (previous year: 80) million. In addition to higher fixed costs from capacity increases, continued lower sales revenues for sweeteners and ethanol in the starch division also impacted the result. Development in the remaining product divisions was positive overall as expected.

CropEnergies segment under strain due to lower ethanol revenues

The CropEnergies segment's revenues during the first half year of fiscal 2018/19 were substantially below last year's at EUR 349 (previous year: 428) million, driven especially by significantly lower ethanol sales revenues, particularly in comparison to still comparatively high sales revenue level during the first half of last year.

Due to the negative revenue trend, the operating result also fell to EUR 14 (previous year: 47) million. In addition to lower sales revenues, a reduction in volumes and an increase in raw material costs had a negative impact. The operating result rebounded significantly in the second quarter compared to the first quarter due to higher ethanol sales revenues.

Fruit segment results and revenues upturn

Revenues in the fruit segment were up slightly to EUR 612 (previous year: 600) million during the reporting period. Higher volumes offset lower sales revenues in the fruit preparations division. Thanks to significantly higher sales revenues, revenues were higher with fruit juice concentrates despite lower volumes.

Operating result rose moderately to EUR 47 (previous year: 44) million in the first half of fiscal year 2018/19. In the fruit juice concentrates division this was driven by higher margins on sales revenues. In the fruit preparations division lower margins on sales revenues and higher costs could not be offset by higher volumes.

Employee growth in particular due to Richelieu acquisition

The number of persons employed by the group (full-time equivalent) at the end of the first half year of fiscal 2018/19 was higher than last year at 19,546 (previous year: 18,030). The special products segment's head count was up 792 to 5,695 (previous year: 4,903), driven mainly by employees who came on board when Freiburger acquired Richelieu Foods Inc., as well as new hires at AGRANA Stärke. The increase in the number of employees in the fruit segment by 581 to 6,177 (previous year: 5,596) was primarily attributable to the greater need for seasonal workers to handle the higher apple and cherry harvest volumes in Ukraine, for example, or the higher strawberry processing volumes in Morocco.

Revised 2018/19 annual forecast

On 20 September 2018 Südzucker published a revised forecast for the 2018/19 fiscal year. Now consolidated group revenues are expected to reach EUR 6.6 to 6.9 (previous forecast: 6.8 to 7.1; previous year: 7.0) billion with group operating result of EUR 25 to 125 (previous forecast: 100 to 200; previous year: 445) million. The main driver here continues to be the difficult market environment for sugar, sweeteners (starches) and ethanol. The outlook in the sugar segment is very uncertain in the difficult current market environment and as a result of the drought in Südzucker's main cultivation regions.

Group figures as of 31 August 2018

€ million	2nd quarter			1st half year			
	2018/19	2017/18	+/- in %	2018/19	2017/18	+/- in %	
Revenues	€ million	1.734	1.710	1,4	3.475	3.493	-0,5
EBITDA	€ million	123	183	-33,1	260	392	-33,6
Depreciation on fixed assets and intangible assets	€ million	-61	-55	11,3	-121	-110	9,9
Operating result	€ million	62	128	-52,1	139	282	-50,6
Result from restructuring/special items	€ million	-2	-3	-65,7	-1	-4	-69,0
Result from companies consolidated at equity	€ million	4	3	37,9	11	17	-37,8
Result from operations	€ million	64	128	-49,7	149	295	-49,6
EBITDA margin	%	7,1	10,7	0,0%	7,5	11,2	0,0%
Operating margin	%	3,5	7,5	0,0%	4,0	8,1	0,0%
Investments in fixed assets ¹	€ million	101	94	7,7	167	155	7,4
Investments in financial assets/acquisitions	€ million	6	48	-87,7	9	48	-81,0
Total investments	€ million	107	142	-24,6	176	203	-13,5
Shares in companies consolidated at equity	€ million				380	423	-10,3
Capital employed	€ million				6.490	5.856	10,8
Employees					19.546	18.030	8,4

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 most significant food industry companies. In the traditional sugar business, the group is Europe's number one supplier of sugar products, with 29 sugar factories and two 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 ingredients for food and animal feed (BNEO) division, as well as chilled/frozen products (Freiberger), portion packs (PortionPack Europe) and starch divisions, conducts business in high-growth dynamic markets. The CropEnergies segment is responsible for the bioethanol activities in Germany, Belgium, France and Great Britain. The group's fruit segment operates globally, is the world market leader for fruit preparations and is a leading supplier of fruit juice concentrates in Europe.

In 2017/18, the group employed about 18,500 persons and generated revenues of EUR 7.0 billion.