

Press release

Mannheim, 10 January 2019

Südzucker confirms full-year forecast in a still difficult sugar market environment

In the first three quarters (1 March 2018 to 30 November 2018) of the current fiscal year 2018/19, Südzucker AG reported slightly lower consolidated group revenues of EUR 5,192 (previous year: 5,302) million. The sugar and CropEnergies segments' revenues fell clearly, whereas the special products segment's rose substantially. The fruit segment's revenues were about the same as last year.

As expected, the consolidated group operating result fell significantly to EUR 116 (previous year: 384) million. The decline was driven mainly by the sugar segment losses as of the third quarter. The CropEnergies segment's operating result also dropped substantially, but in the third quarter at a slower pace than in the previous quarters. The special products and fruit segments' operating results were slightly higher than last year.

Sugar segment posts losses

The sugar segment's revenues fell to EUR 2,060 (previous year: 2,349) million because of significantly lower sales revenues. Even though export volumes in the third quarter were lower than last year due to a reduced harvest caused by drought, overall volume was still significantly higher than last year throughout the entire reporting period. However, this could not offset the decline in sales revenues.

Last year, sales revenues rose in the first half of the fiscal year, but they dropped significantly since October 2017. As expected, sales revenues dropped again in October 2018. The weaker harvest for 2018 has also weighed on results growth since the third quarter. The operating result for the first nine months of fiscal 2018/19 therefore fell to EUR -83 (previous year: 150) million.

Beet cultivation and 2018 processing campaign

The severe summer drought in most of Südzucker Group's cultivation regions is reflected in below-average beet yields. However, the expected sugar content is above the average of recent years. Because of smaller harvests overall, the average processing campaign duration of 113 (previous year: 133) days will be shorter than last year. The last factories will complete processing at the beginning of February. Südzucker Group expects to produce a total of 4.7 (previous year: 5.7) million tonnes of sugar from 29.6 (previous year: 36.0) million tonnes of sugar beet.

Revenue growth in the special products segment

The special products segment's revenues increased sharply also in the third quarter, rising to EUR 1,710 (previous year: 1,447) million for the reporting period. The revenue growth was driven especially by revenue contributions from frozen pizza producer Richelieu Foods Inc., USA which were not yet recognized last year.

The operating result was slightly higher than last year's at EUR 118 (previous year: 116) million. Third-quarter results thus more than offset the decline in the first half year. The starch division benefited especially from recently significantly higher ethanol sales revenues, which had declined sharply over the course of last year's third quarter. The other product areas continued to report overall positive development.

Segment CropEnergies suspends temporarily production in Wilton

The CropEnergies segment's revenues remained substantially below last year's at EUR 532 (previous year: 622) million, driven by lower sales volumes and reduced ethanol sales revenues. Ethanol sales revenues in the first half year were under the above-average sales revenue levels of the same period the year prior. In contrast, the higher ethanol sales revenues in the third quarter exceeded those reported in the previous year's comparable period.

Due to the negative revenue trend, the operating result also fell during the reporting period, to EUR 19 (previous year: 59) million. In addition to lower sales volumes and sales revenues, higher raw material costs weighed on the results.

Due to the sharp price drop for bioethanol in October 2018, CropEnergies decided to suspend production at the plant in Wilton, Great Britain starting at the end of November 2018.

Solid development in the fruit segment

Revenues in the fruit segment remained stable at EUR 890 (previous year: 884) million. Higher sales volumes offset lower sales revenues in fruit preparations. Despite lower volumes, fruit juice concentrates achieved sales growth thanks to significantly higher revenues.

Operating result rose moderately to EUR 62 (previous year: 59) million. 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 sales volumes.

Full-year 2018/19 forecast confirmed

Group consolidated revenues are expected between EUR 6.6 to 6.9 (previous year: 7.0) billion for total fiscal 2018/19. In the sugar segment, a sharp decline in revenues is anticipated. Revenues in the CropEnergies segment are expected to range between EUR 690 and 720 million. The special products segment's revenues are expected to rise substantially and those in the fruit segment to increase moderately.

Consolidated group operating result is expected within a range of EUR 25 to 125 (previous year: 445) million. The decline in results will be largely attributable to the expected losses in the sugar segment. The CropEnergies segment's result is also expected to drop considerably. Results in the special products segment are expected to be at last year's level. In the fruit segment, a slight increase in operating results is anticipated.

Group figures as of 30 November 2018

€ million	3rd quarter			1st - 3rd quarter			
	2018/19	2017/18	+/- in %	2018/19	2017/18	+/- in %	
Revenues	€ million	1.717	1.809	-5,1	5.192	5.302	-2,1
EBITDA	€ million	85	208	-59,5	345	599	-42,6
Depreciation on fixed assets and intangible assets	€ million	-108	-105	2,2	-229	-215	6,1
Operating result	€ million	-23	103	-	116	384	-69,8
Result from restructuring/special items	€ million	8	-2	-	7	-6	-
Result from companies consolidated at equity	€ million	5	-15	-	16	2	> 100
Result from operations	€ million	-10	86	-	139	380	-63,5
EBITDA margin	%	4,9	11,5	0,0%	6,6	11,3	0,0%
Operating margin	%	-1,4	5,7	0,0%	2,2	7,2	0,0%
Investments in fixed assets ¹	€ million	87	95	-8,3	254	250	1,4
Investments in financial assets/acquisitions	€ million	6	0	-	15	48	-68,7
Total investments	€ million	93	95	-2,1	269	298	-9,9
Shares in companies consolidated at equity	€ million				395	415	-4,7
Capital employed	€ million				6.510	5.839	11,5
Employees					20.129	18.801	7,1

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 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 (BENEO) 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.