Press release

Mannheim, 14 January 2020

Südzucker reports strong third quarter in fiscal 2019/20

Group still impacted by difficult sugar market environment

In the first three quarters (1 March 2019 to 30 November 2019) of the current 2019/20 fiscal year, Südzucker AG posted group consolidated revenues of EUR 5,028 (previous year: 5,192) million. While the sugar segment's revenues fell sharply, the fruit segment's held steady at last year's level and the special products and CropEnergies segments' rose.

Group EBITDA rose from EUR 373 (previous year: 345) million due to the first-time application of IFRS 16 on 1 March 2019 and the associated recognition and depreciation of leases already recognized in other operating expenses for accounting purposes.

After nine months group operating result was comparable to last year's level at EUR 113 (previous year: 116) million. Although the sugar segment reported losses as expected, the third quarter was significantly better than the same period during the previous year. While the decline in results continued in the fruit segment, the increase in results was again stronger in the special products and CropEnergies segments.

Sugar segment continues to record losses

The decline in sugar segment revenues slowed during the third quarter. After nine months revenues were EUR 1,739 (previous year: 2,060) million. The decline in revenues was driven by lower sales revenues and considerably lower volumes due to the reduced 2018 and 2019 harvests caused by dry weather.

The sugar segment saw an operating loss of EUR -146 (previous year: -83) million during the reporting period as predicted. The main causes were the EU sugar market price level, which did not cover costs, and sharply lower sales volumes, mainly in exports, due to the drought-driven weaker 2018 and 2019 harvests. The decline in results was mitigated in the first half year 2019/20 thanks to inventory write-downs to the expected net sales revenues, which were already carried out at the time of the 2018/19 year-end closing. During the third quarter of the previous year prices dropped once again and have recovered during the current fiscal year since October 2019. However, higher beet prices increased production costs, offsetting price recovery somewhat. At EUR -54 (previous year: -85) million, operating loss in the third quarter was far below the previous year's figures. Virtually none of the costs saved as a result of the structural program are included here; most of these will not take effect until the second half of the next fiscal year.

Beet cultivation and 2019 processing campaign

The dry spell most of our cultivation regions saw again is reflected in below-average beet yields. Unlike the previous year, widespread, extensive rainfall beginning in late September 2019 helped

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boost the beet yields, but the sugar content dropped sharply as a result. The duration of the processing campaign will be slightly lower than last year, averaging 112 (previous year: 115) days. The last factories will finish beet processing in mid-February. In total, Südzucker Group expects to produce 4.3 (previous year: 4.6) million tonnes of sugar from 28.4 (previous year: 29.3) million tonnes of sugar beet.

World market and EU sugar market

The consulting company F.O. Licht adjusted its forecast for the 2019/20 sugar marketing year on 6 January 2020 and now anticipates a further significant higher deficit on the world sugar market. This deficit is now expected to amount to 10.9 (October 2019 estimate: 6.5) million tonnes of sugar. In this context, world market price quotations have recently increased, which may also cause corresponding reactions within the EU market.

Special products segment posts higher revenues and results

Growth continued in the special products segment in the third quarter as well, further increasing revenues to EUR 1,796 (previous year: 1,710) million. This was brought about by an rise in volumes, especially in starch and sweeteners. In addition, ethanol revenues remained well above the previous year's levels – despite the powerful increase towards the end of 2018.

The operating result rose disproportionately during the third quarter, growing considerably to EUR 143 (previous year: 118) million after nine months. Rising raw materials and fixed costs were more than compensated for by sustained positive revenue growth.

CropEnergies segment to rise revenues and results substantially

The CropEnergies segment generated significantly higher revenues of EUR 604 (previous year: 532) million in the first nine months. Considerably higher ethanol revenues helped drive revenue growth further in the third quarter compared to the previous year.

The increase in results compared to the same period of the previous year was further improved in the third quarter. During the first nine months the operating result more than tripled, reaching EUR 70 (previous year: 19) million. Higher net raw material costs were more than offset by significantly better ethanol sales revenues.

Fruit segment with significant decline in results

Revenues in the fruit segment for the reporting period were on par with the year before at EUR 889 (previous year: 890) million. The fruit preparations division's revenues grew slightly, with somewhat higher sales volumes, while the fruit juice concentrates division's significantly higher volumes were not enough to completely offset declining sales revenues.

The operating result was down sharply to EUR 46 (previous year: 62) million. Slightly higher sales volumes were not enough to offset higher costs in the fruit preparations division. The fruit juice concentrates division's declining sales revenues could not be fully compensated by higher volumes and lower raw material costs.

Full-year fiscal 2019/20 forecast concretized

In its announcement of 18 December 2019, the company concretized its forecast for the 2019/20 fiscal year. Südzucker expects consolidated group revenues in fiscal 2019/20 of EUR 6.7 to 7.0 (previous year: 6.8) billion. We are currently projecting a significant decline in revenues in the sugar segment (previous forecast: moderate decline, previous year: EUR 2.6 billion). In the CropEnergies segment revenues are now expected to be at approximately EUR 810 (previous forecast: 740 to 780; previous year: 693) million. In the special products segment the company is now projecting a moderate rise in revenues (previous forecast: slight rise in revenues, previous year: EUR 2.3 billion) and revenues at last year's level in the fruit segment (previous year: EUR 1.2 billion).

Consolidated group operating result is now expected to range from EUR 70 to 130 (previous forecast: 50 to 130; previous year: 27) million. We estimate that the sugar segment will report another operating loss between EUR -200 and -260 (previous year: -239) million. The group is currently projecting a significant increase in results in the special products segment (previous forecast: moderate increase; previous year: EUR 156 million). The CropEnergies segment's operating result is now expected to be around EUR 100 (previous forecast: 70 to 90; previous year: 33) million. We expect the fruit segment's results to decline substantially (previous year: EUR 77 million).

We anticipate capital employed to rise, mainly because of the application of the new IFRS standard regarding lease accounting. Based on the aforementioned operating result range, ROCE is expected to come in at up to 2 percent (previous year: 0.4 percent).

Group figures as of 30 November 2019

€ million		3rd quarter			1st - 3rd quarter		
		2019/20	2018/19	+/- in %	2019/20	2018/19	+/- in %
Revenues	€ million	**1.713**	**1.717**	**-0,2**	**5.028**	**5.192**	**-3,2**
EBITDA	€ million	158	85	87,4	373	345	8,2
Depreciation on fixed assets and intangible assets	€ million	-119	-108	10,9	-260	-229	13,6
Operating result	€ million	**39**	**-23**	**-**	**113**	**116**	**-2,5**
Result from restructuring/special items	€ million	-7	8	-	-12	7	-
Result from companies consolidated at equity	€ million	-60	5	-	-58	16	-
Result from operations	€ million	**-28**	**-10**	**> 100**	**43**	**139**	**-69,1**
EBITDA margin	%	9,2	4,9	0,0%	7,4	6,6	0,0%
Operating margin	%	2,3	-1,4	0,0%	2,2	2,2	0,0%
Investments in fixed assets [1]	€ million	74	87	-15,3	224	254	-11,7
Investments in financial assets/acquisitions	€ million	4	6	-37,3	10	15	-32,0
Total investments	€ million	**78**	**93**	**-16,7**	**234**	**269**	**-12,8**
Shares in companies consolidated at equity	€ million				332	395	-16,1
Capital employed	€ million				6.186	6.510	-5,0
Employees					**19.947**	**20.129**	**-0,9**

[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 28 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 2018/19, the group employed about 19,200 persons and generated revenues of EUR 6.8 billion.