Q3

QUARTERLY STATEMENT
FIRST TO THIRD QUARTER 2018/19

1 March – 30 November 2018

CONSOLIDATED GROUP REVENUES

€ **5,192** [5,302] million

CONSOLIDATED GROUP OPERATING RESULT

€ **116** [384] million

FULL-YEAR FISCAL 2018/19 FORECAST:

CONSOLIDATED GROUP REVENUES

€ **6.6** to **6.9** [2017/18: 7.0] billion

CONSOLIDATED OPERATING RESULT

€ **25** to **125** [2017/18: 445] million

SÜDZUCKER

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OVERVIEW

First to third quarter 2018/19

- Consolidated group revenues slightly down from last year at € 5,192 (5,302) million

- Consolidated group operating result declines € 268 million to € 116 (384) million, mainly driven by sharply lower results in the sugar segment

- Sugar segment reports – despite still higher sales volumes – significantly lower revenues and results as expected because of reduced sugar sales revenues and lower harvest volumes due to drought conditions:
  - Revenues: −12 % to € 2,060 (2,349) million
  - Operating result: € −83 (150) million

- Special products segment revenues rise as forecast, especially due to the revenue contributions from frozen pizza producer Richelieu Foods Inc., USA, which was not included during the same period last year. Third-quarter results made up for the decline in the first half year:
  - Revenues: +18 % to € 1.710 (1.447) million
  - Operating result: € 118 (116) million

- CropEnergies segment reports significantly lower revenues and results driven by a substantial drop in ethanol sales revenues, lower sales volumes and higher raw material costs:
  - Revenues: −14 % to € 532 (622) million
  - Operating result: € 19 (59) million

- Fruit segment revenues at the same level as last year while operating result rises moderately:
  - Revenues: +1 % to € 890 (884) million
  - Operating result: € 62 (59) million

Full-year fiscal 2018/19 forecast

- Consolidated group revenues expected to come in at € 6.6 to 6.9 (2017/18: 7.0) billion.

- Consolidated group operating result expected to range between € 25 to 125 (2017/18: 445) million.

- Capital employed to rise; ROCE to decline significantly.

Group figures as of 30 November 2018

		1st – 3rd quarter		
		2018/19	2017/18	+/– in %
Revenues and earnings				
Revenues	€ million	5,192	5,302	–2.1
EBITDA	€ million	345	599	–42.6
EBITDA margin	%	6.6	11.3	
Depreciation	€ million	–229	–215	6.1
Operating result	€ million	116	384	–69.8
Operating margin	%	2.2	7.2	
Net earnings	€ million	36	260	–86.0
Cash flow and investments				
Cash flow	€ million	293	532	–44.9
Investments in fixed assets [1]	€ million	254	250	1.4
Investments in financial assets / acquisitions	€ million	15	48	–68.7
Total investments	€ million	269	298	–9.9
Performance				
Fixed assets [1]	€ million	3,298	2,994	10.1
Goodwill	€ million	1,404	1,219	15.1
Working capital	€ million	1,696	1,513	12.1
Capital employed	€ million	6,510	5,839	11.5
Capital structure				
Total assets	€ million	8,952	9,317	–3.9
Shareholders' equity	€ million	4,911	4,962	–1.0
Net financial debt	€ million	781	148	> 100
Equity ratio	%	54.9	53.3	
Net financial debt as % of equity (gearing)	%	15.9	3.0	
Shares				
Market capitalization on 30 November	€ million	2,566	3,555	–27.8
Total shares issued as of 30 November	Millions of shares	204.2	204.2	0.0
Closing price on 30 November	€	12.57	17.41	–27.8
Earnings per share on 30 November	€	–0.01	0.79	–
Average trading volume / day	Thousands of shares	900	1,131	–20.4
Performance Südzucker share 1 March to 30 November [2]	%	–14.9	–27.8	
Performance SDAX® / prior year: MDAX® 1 March to 30 November [2]	%	–13.6	15.7	
Employees		**20,129**	**18,801**	**7.1**

[1] Including intangible assets.
[2] Südzucker shares have been listed in the SDAX® since the 2018/19 financial year; Südzucker shares were listed in the MDAX® until the end of the 2017/18 financial year, so the performance of Südzucker shares in the 2018/19 financial year is compared with the performance of the SDAX®, compared with that of the MDAX® in the previous year.

TABLE 01

ECONOMIC REPORT

Group results of operations

Revenues and operating result

Consolidated group revenues in the first nine months of fiscal 2018/19 declined slightly to € 5,192 (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 predicted, the consolidated group operating result in the first nine months fell significantly to € 116 (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 3rd quarter at a slower pace than in the previous quarters. The special products' and fruit segment's operating results were moderately higher than last year.

Result from operations

Result from operations of € 139 (380) million comprises an operating result of € 116 (384) million, the result from restructuring and special items of € 7 (−6) million and the earnings contribution from companies consolidated at equity of € 16 (2) million.

Result of restructuring and special items

The result of restructuring and special items of € 7 (−6) million is attributable primarily to the CropEnergies segment. It is due mainly to the reversal of an accrual created in 2016/17 for a fundamentally contested liquor tax liability. The court challenge was successfully completed in the third quarter.

Result from companies consolidated at equity

The result from companies consolidated at equity improved to € 16 (2) million. A higher sugar segment result was offset by a declining special products segment result.

Business performance – Group

		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		6.6	11.3	
Operating margin	%	−1.4	5.7		2.2	7.2	
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.

TABLE 02

Income statement

€ million	3rd quarter 2018/19	3rd quarter 2017/18	3rd quarter +/– in %	1st – 3rd quarter 2018/19	1st – 3rd quarter 2017/18	1st – 3rd quarter +/– in %
Revenues	**1,717**	**1,809**	**–5.1**	**5,192**	**5,302**	**–2.1**
Operating result	–23	103	–	116	384	–69.8
Result from restructuring / special items	8	–2	–	7	–6	0.0
Result from companies consolidated at equity	5	–15	–	16	2	> 100
Result from operations	**–10**	**86**	**–**	**139**	**380**	**–63.5**
Financial result	–4	–9	–55.6	–22	–27	–18.5
Earnings before income taxes	**–14**	**77**	**–**	**117**	**353**	**–67.0**
Taxes on income	–14	–22	–38.4	–81	–93	–13.8
Net earnings	**–28**	**55**	**–**	**36**	**260**	**–86.0**
of which attributable to Südzucker AG shareholders	–31	32	–	–3	161	–
of which attributable to hybrid capital	3	3	3.1	10	10	1.0
of which attributable to other non-controlling interests	0	20	–100.0	29	89	–67.6
Earnings per share (€)	**–0.15**	**0.16**	**–**	**–0.01**	**0.79**	**–**

TABLE 03

Financial result

The financial result for the first nine months came in at € –22 (–27) million. It comprises an improved net interest result of € –16 (–21) million driven by declining average interest rates, although average debt rose. A negative foreign-exchange result weighed on the reported 'other' financial result of € –6 (–6) million, due mainly to the weakening of the Argentinian peso. Argentina has been classified as a high-inflation country since mid-2018, which required the application of the relevant IAS 29 rules (accounting rules for high-inflation countries) as of the third quarter. This reduced the foreign-exchange loss by € 0.9 million.

Taxes on income

Earnings before taxes were reported at € 117 (353) million and taxes on income totaled € –81 (–93) million. The increase in the group tax rate to 69 (26) % was mainly because sugar segment tax losses were not deemed to be recognizable in the financial statements.

Consolidated net earnings

Of the consolidated net earnings of € 36 (260) million, € –3 (161) million were allocated to Südzucker AG shareholders, € 10 (10) million to hybrid equity and € 29 (89) million to other non-controlling interests, mainly the co-owners of AGRANA Group and CropEnergies Group.

Earnings per share

Earnings per share came in at € –0.01 (0.79) for the first to third quarter 2018/19. The calculation was based on the time-weighted average of 204.2 (204.2) million shares outstanding.

Group financial position

Cash flow

Cash flow reached € 293 million, compared to € 532 million during the same period last year. This translates into 5.7 (10.0) % of revenues.

Working capital

The cash inflow of € 195 (186) million resulting from reduced working capital was mainly attributable to the reduction of inventories from the 2017 campaign. The buildup of inventories from the new 2018 campaign was offset by a concurrent increase in liabilities toward beet farmers.

Investments in fixed assets

Investments in fixed assets (including intangible assets) totaled € 254 (250) million in the first nine months. The sugar segment's investments of € 103 (121) million were mainly for replacements, as well as further logistics optimization and production efficiency improvements. The special products segment invested € 109 (85) million, most of which was for the construction and preparations of new BENEO and AGRANA starch production systems or capacity expansions. Investments in the CropEnergies segment amounting to € 9 (15) million were used to optimize and expand production facilities in addition to replacement investments. The fruit segment invested € 33 (29) million, mainly to expand production capacity in fruit preparations.

Investments in financial assets

Investments in financial assets in the amount of € 15 (48) million were largely attributable to the acquisition of 100 % of the shares in Hungarian fruit juice concentrates producer Brix Trade Kft., Nagykálló, in the first quarter, the acquisition of a 49 % stake in the Algerian fruit preparations producer SPA AGRANA Fruit Algeria (formerly: Elafruits SPA), Akbou, in the second quarter as well as the acquisition of a 100 % stake in the British portion pack producer CustomPack Ltd, Telford, in the third quarter. Investments in financial assets last year went mainly toward the 100 % acquisition of frozen pizza producer HASA GmbH in Burg, Sachsen-Anhalt, Germany in the second quarter of 2017/18.

Development of net financial debt

Net financial debt was reduced, dropping € 62 million from € 843 million on 28 February 2018 to € 781 million on 30 November 2018. Total investments of € 269 million and the € 156 million earnings distribution were fully financed from cash flow of € 293 million and cash inflow of € 195 million from the change in working capital.

Cash flow statement

€ million	3rd quarter 2018/19	3rd quarter 2017/18	3rd quarter +/– in %	1st – 3rd quarter 2018/19	1st – 3rd quarter 2017/18	1st – 3rd quarter +/– in %
Cash flow	**66**	**184**	**−64.2**	**293**	**532**	**−44.9**
Increase (–) / decrease (+) in working capital	**4**	**10**	**−55.0**	**195**	**186**	**4.4**
Net cash flow from operating activities	**69**	**194**	**−64.3**	**485**	**718**	**−32.5**
Total investments in fixed assets [1]	−87	−95	−8.3	−254	−250	1.4
Investments in financial assets / acquisitions	−6	0	–	−15	−48	−68.7
Total investments	**−93**	**−95**	**−2.1**	**−269**	**−298**	**−9.9**
Other cashflows from investing activities	56	3	> 100	7	5	40.0
Cash flow from investing activities	**−37**	**−92**	**−59.6**	**−262**	**−293**	**−10.8**
Increases in stakes held in subsidiaries (–)	0	0	–	0	−1	−20.0
Decrease in stakes held in subsidiaries(+) / capital increase (+) / capital buyback (–)	3	0	–	3	0	> 100
Dividends paid	−6	−6	3.6	−156	−159	−1.9
Other cashflows from financing activities	−118	413	–	−182	342	–
Cash flow from financing activities	**−121**	**407**	**–**	**−335**	**182**	**–**
Other change in cash and cash equivalents	3	4	−25	−6	6	–
Decrease (–) / increase (+) in cash and cash equivalents	**−86**	**512**	**–**	**−118**	**614**	**–**
Cash and cash equivalents at the beginning of the period	554	682	−18.9	585	581	0.8
Cash and cash equivalents at the end of the period	**467**	**1,195**	**−60.9**	**467**	**1,195**	**−60.9**

[1] Including intangible assets.

TABLE 04

Group assets

Balance sheet

€ million	30 November 2018	30 November 2017	+/– in %
Assets			
Intangible assets	1,676	1,270	32.0
Fixed assets	3,025	2,943	2.8
Remaining assets	535	577	–7.3
Non-current assets	**5,236**	**4,790**	**9.3**
Inventories	1,832	1,859	–1.4
Trade receivables	1,015	1,031	–1.6
Remaining assets	869	1,637	–46.9
Current assets	**3,716**	**4,527**	**–17.9**
Total assets	**8,952**	**9,317**	**–3.9**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	3,366	3,403	–1.1
Hybrid capital	654	653	0.1
Other non-controlling interests	891	906	–1.6
Total equity	**4,911**	**4,962**	**–1.0**
Provisions for pensions and similar obligations	788	830	–5.0
Financial liabilities	1,138	1,028	10.7
Remaining liabilities	388	289	34.3
Non-current liabilities	**2,314**	**2,147**	**7.8**
Financial liabilities	254	459	–44.6
Trade payables	859	1,103	–22.1
Remaining liabilities	614	646	–5.0
Current liabilities	**1,727**	**2,208**	**–21.8**
Total liabilities and equity	**8,952**	**9,317**	**–3.9**
Net financial debt	781	148	> 100
Equity ratio in %	54.9	53.3	
Net financial debt as % of equity (gearing)	15.9	3.0	

TABLE 05

Non-current assets

Non-current assets rose € 446 million to € 5,236 (4,790) million. Intangible assets increased by € 406 million to € 1,676 (1,270) million, in particular due to the acquisition of the frozen pizza producer Richelieu Foods Inc., Braintree, Massachusetts, USA in the fourth quarter of 2017/18. The carrying amount of fixed assets was up € 82 million to € 3,025 (2,943) million, driven by investments and changes to the scope of consolidation. The decline in other assets by € 42 million to € 535 (577) million was primarily attributable to the decrease in the carrying amount of companies consolidated at equity to € 395 (415) million and the lower deferred tax assets of € 84 (106) million.

Current assets

Current assets fell € 811 million to € 3,716 (4,527) million. Inventories were reduced 27 million to € 1,832 (1,859) million, primarily due to the mainly volume-driven decline in the sugar segment. Trade receivables were down € 16 million to € 1,015 (1,031) million, while other assets, including cash and cash equivalents, fell € 768 million to € 869 (1,637) million. The issue of a 500 million euro bond on 21 November 2017 with a maturity date of seven years and a coupon of 1 % led to a corresponding increase in cash and cash equivalents as of 30 November 2017. Subsequently cash and cash equivalents declined, due mainly to the repayment of the 400 million euro bond on 29 March 2018.

Equity

At € 4,911 (4,962) million, equity was sightly below the last year's level; total assets declined to € 8,952 (9,317) million, resulting in an equity ratio of 55 (53) %. Südzucker AG shareholders' equity of € 3,366 (3,403) million was also slightly below last year's level; other non-controlling interests fell € 15 million to € 891 (906) million.

Non-current liabilities

Non-current liabilities increased € 167 million to € 2,314 (2,147) million. Provisions for pensions and similar obligations dropped € 42 million to € 788 (830) million due to valuation at a higher discount rate, which rose to 2.20 % on 30 November 2018 from 1.90 % on 30 November 2017. Financial liabilities were up € 110 million to € 1,138 (1,028) million due to higher bank liabilities. The increase of € 99 million in other liabilities to € 388 (289) million is mainly due to higher deferred tax liabilities.

Current liabilities

Current liabilities declined € 481 million to € 1,727 (2,208) million. Current financial liabilities fell € 205 million to € 254 (459) million. Trade payables dropped € 244 million to € 859 (1,103) million including lower liabilities toward beet farmers of € 288 (577) million. The decline was volume related for the most part and was also impacted by paying for beets at the end of November 2018 instead of the beginning of December, as was done last year. Other debt, consisting of other provisions, taxes owed and other liabilities, was down € 32 million to € 614 (646) million.

Net financial debt

Net financial debt rose € 633 million year-over-year to € 781 (148) million as of 30 November 2018, which corresponds to 15.9 (3.0) % of equity. The € 384 million cost of the acquisition of frozen pizza producer Richelieu Foods Inc. on 1 December 2017 accounted for most of the increase.

On 5 April 2018 Moody's had changed the outlook for Südzucker's corporate and bond rating from stable to negative. On 12 December 2018, Moody's cut the rating from Baa2 to Baa3 with negative outlook.

Employees

The number of persons employed by the group (full-time equivalent) at the end of the first nine months of fiscal 2018/19 was higher than last year at 20,129 (18,801). The special products segment's head count was up 1,020 to 5,909 (4,889), driven mainly by employees who came on board through the acquisitions of Richelieu Foods Inc., Braintree, Massachusetts, USA in the fourth quarter of fiscal 2017/18 and CustomPack Ltd, Telford, Great Britain in the third quarter of fiscal 2018/19.

Employees by segment at balance sheet date

30 November	2018	2017	+/– in %
Sugar	8,269	8,385	−1.4
Special products	5,909	4,889	20.9
CropEnergies	425	406	4.7
Fruit	5,526	5,121	7.9
Group	**20,129**	**18,801**	**7.1**

TABLE 06

SUGAR SEGMENT

Markets and general framework

World sugar market

German market analyst F. O. Licht updated its estimate of the world sugar balance in December 2018 for sugar marketing year 2018/19 (1 October – 30 September) and now predicts a slight deficit. According to the update, inventories will fall slightly to 74.0 (75.7) million tonnes (about 39.7 (41.2) % of one year's consumption) in line with reduced production of 185.0 (193.3) million tonnes, while consumption continues to expand, to 186.3 (183.7) million tonnes. This now expected inventory level is around 11 million tonnes and the now expected ratio of inventory to consumption is around 6 percentage points below the values of the August 2018 estimate.

World market sugar prices

1 December 2015 to 30 November 2018,
London, nearest forward trading month

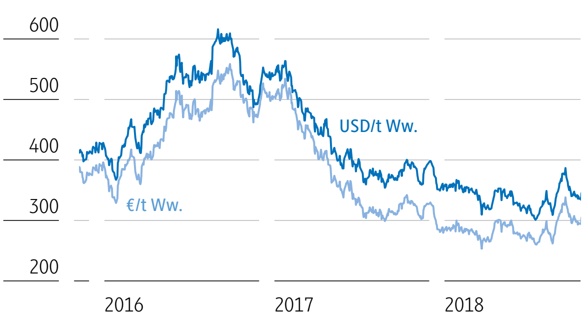


DIAGRAM 01

After the beginning of fiscal 2018/19, the world market price for white sugar initially fell from 296 €/t to almost 250 €/t in April. Supported by a stronger US dollar, it rebounded in May to around 300 €/t. From mid-July, the world market price level initially continued to slide and for a time was close to 260 €/t, before rising back to about 340 €/t in October, the highest level in almost a year. Thereafter prices resumed their downward trend. At the end of the reporting period, the world market price for white sugar was 307 €/t.

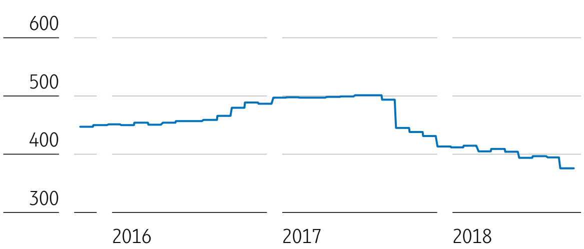
EU sugar market

The recent 2017/18 sugar marketing year (sugar marketing year: 1 October – 30 September) was the first after the elimination of quota and minimum beet price market regulations. Because yields were excellent, sugar production expanded significantly, as did now once again unrestricted exports, whereas imports declined.

Production levels for the sugar marketing year 2018/19 that began 1 October 2018 are expected to be sharply lower than in previous years because of drought-related weaker yields in Europe's major cultivation regions. The EU Commission's September 2018 estimate forecasts an unchanged beet cultivation area and a production decline (including isoglucose) of 1.9 million tonnes, which brings the total level to 19.8 (21.7) million tonnes. Market analyst F. O. Licht now expects a production decline in the EU of just under 3 million tonnes of white sugar. As result, exports and inventories are expected to be significantly lower.

EU sugar price reporting

1 November 2015 to 31 October 2018
€/t Ww.



Source: EU commission, Directorate-General for Agriculture and Rural Development.

DIAGRAM 02

In October 2017, at the beginning of the 2017/18 sugar marketing year, the EU price for sugar (food and non-food) initially fell from about 500 €/t for bulk sugar ex-factory to 420 €/t and slipped to just under 350 €/t during the subsequent months. At the beginning of the new 2018/19 sugar marketing year, the price fell a further 27 €/t to a historical low of only 320 €/t in October 2018. The EU price for sugar is thus now about 20 % under the regulatory reference threshold of 404 €/t.

Energy market

At the beginning of the third quarter, the oil price rally initially continued, driven by a supply shortage due to sanction-related declining exports from Iran. At the start of October 2018, the price of Brent crude hit a four-year high of 86 USD/barrel. However, market sentiment turned as traders became attuned to record high oil production levels in Saudi Arabia and Russia, as well as sharply higher production in the United States. In addition, demand fell as the American-Chinese trade conflict and lower growth forecasts for the eurozone generated increasingly negative economic signals. The prospect of production cuts in Saudi Arabia and Russia finally slowed the decline at the end of the quarter. On 30 November the price of Brent closed at 59 USD/barrel.

EU agricultural and sugar policies, WTO negotiations and free trade agreements

On 1 June 2018 the EU Commission released its recommendations for EU agricultural policy after 2020. These are a supplement to the budget proposals for the EU budget after 2020 submitted in May. It is expected that the recommendations could reduce government payments in the form of direct payments, which would further increase pressure on the agricultural sector to adapt. In addition, agricultural policy is expected to be more nationally oriented going forward. This trend, which undermines the principle of a common market for agricultural products and sugar, carries the risk of increasingly anti-competitive national programs. Thus, the direct payments already coupled to sugar beet cultivation in some EU countries are at the expense of the highly competitive growing regions in which Südzucker is predominantly active.

In parallel with the WTO discussions, which have been bogged down for years, the EU is negotiating with various nations and communities, such as the MERCOSUR member states and Australia regarding potential free trade agreements. In the event sugar and sugary products are not defined as sensitive products – contrary to current trade practice – additional sugar volumes could in future be imported into the EU at preferential tariff rates.

The free trade agreement with Japan has now been approved by the EU Parliament and is expected to come into force on 1 February 2019. Accordingly, Japan will receive an import quota of 3,650 tonnes per annum and the EU will eliminate tariffs on imports of sugar effective the day the agreement comes into force. Japan is currently a net importer of sugar.

In April 2018, Mexico and the EU reached an agreement in principle on free trade, a draft of which has now been made public. The EU has agreed to a gradually rising import quota of 30,000 tonnes of raw sugar for refining per annum at preferential tariff rates effective the third year after the agreement comes into force. The draft agreement must now be endorsed by the EU committees. The EU Commission expects that the agreement could become effective in 2020.

Aside from the aforementioned, there have been no material changes during the reporting period to the legal and political general conditions related to EU sugar policies, WTO negotiations and free trade agreements than those outlined on pages 61 and 62 of the 2017/18 annual report (consolidated management report, economic report, sugar segment).

Business performance

Revenues and operating result

In the first three quarters, the sugar segment's revenues fell to € 2,060 (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 – but not enough to offset the sales revenue decline.

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 drought-related 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 € –83 (150) million. Whereas the first half year was still balanced, a loss of € –85 (38) million was generated in the third quarter.

Result from companies consolidated at equity

The sugar segment's result for companies consolidated at equity was € 2 (–25) million and relates to ED&F Man Holdings Limited, AGRANA-Studen Group and Maxi S.r.l. Despite the significant result improvement, the moderate result contribution reflects the ongoing difficult environment in which the sugar segment currently operates.

Beet cultivation and 2018 campaign

The severe summer drought in most of our cultivation regions is reflected in Südzucker Group's below-average beet yields. However, the expected sugar content is above the average of recent years. Because of smaller harvests overall, the average campaign duration will be shorter than last year. The last factories will complete processing at the beginning of February.

Investments in fixed assets

Investments of € 103 (121) million in the first nine months were mainly for replacements, production efficiency improvements and investments in warehousing and logistics. This includes measures such as procuring additional packaging machinery and warehouses, but also gaining access to infrastructure. Other investment priorities were environmental protection measures such as wastewater treatment, emissions reductions in steam generation or noise protection. Also worth mentioning here are projects to update the process control systems in Südzucker AG factories. Expanded storage capacities for syrup and molasses, together with finished goods warehouses, are key logistics building blocks for the extended beet and syrup campaigns Südzucker now runs.

Business performance – Sugar segment

		3rd quarter			1st – 3rd quarter		
		2018/19	2017/18	+/– in %	2018/19	2017/18	+/– in %
Revenues	€ million	**671**	**831**	**–19.4**	**2,060**	**2,349**	**–12.3**
EBITDA	€ million	–26	97	–	5	240	–98.2
Depreciation on fixed assets and intangible assets	€ million	–59	–59	–1.3	–88	–90	–3.2
Operating result	€ million	**–85**	**38**	**–**	**–83**	**150**	**–**
Result from restructuring / special items	€ million	–2	–2	10.5	–3	–6	–39.3
Result from companies consolidated at equity	€ million	0	–22	–	2	–25	–
Result from operations	€ million	**–87**	**14**	**–**	**–84**	**119**	**–**
EBITDA margin	%	–4.0	11.7		0.2	10.2	
Operating margin	%	–12.8	4.6		–4.0	6.4	
Investments in fixed assets [1]	€ million	40	46	–12.2	103	121	–14.2
Investments in financial assets / acquisitions	€ million	0	0	–	2	2	–25.0
Total investments	€ million	**40**	**46**	**–12.2**	**105**	**123**	**–14.4**
Shares in companies consolidated at equity	€ million				321	327	–1.9
Capital employed	€ million				3,030	2,898	4.5
Employees					**8,269**	**8,385**	**–1.4**

[1] Including intangible assets.

TABLE 07

SPECIAL PRODUCTS SEGMENT

Business performance

Revenues and operating result

The special products segment's revenues increased sharply also in the third quarter, rising to € 1,710 (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 € 118 (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 continue to report an overall positive development.

Result from companies consolidated at equity

The result of € 14 (27) million from companies consolidated at equity was mainly attributable to the share of earnings from Hungarian Hungrana Group's starch and bioethanol businesses, which were particularly hard hit by the negative market price trends for bioethanol and sweeteners (the company is Europe's largest isoglucose producer).

Investments in fixed assets

The special products segment's investments of € 109 (85) million were for high priority programs in the BENEO division to comply with market specifications for baby foods. In addition, BENEO group is optimizing and expanding its capacity enhancement facilities in all business areas. To this end, new production lines are being built in some cases. In the starch division, the bulk of investments went toward new potato starch and potato fiber drier systems in Gmünd, Austria to boost potato processing volumes, as well as expansion of the wheat starch plant in Pischelsdorf, Austria. In Aschach, investments included the expansion of the energy supply. Investments in the Freiberger Division were mainly made to improve the efficiency of existing plants in Great Britain.

Investments in financial assets

Investments in financial assets of €7 (46) million mainly related to the acquisition of a 100 % stake in the portion pack producer CustomPack Ltd, Telford, United Kingdom in the third quarter. In the previous year, investments in financial assets went toward the 100 % acquisition of frozen pizza producer HASA GmbH in Burg, Sachsen-Anhalt, Germany in the second quarter of 2017/18.

Business performance – Special products segment

		3rd quarter			1st – 3rd quarter		
		2018/19	2017/18	+/– in %	2018/19	2017/18	+/– in %
Revenues	€ million	**584**	**499**	**17.2**	**1,710**	**1,447**	**18.1**
EBITDA	€ million	70	62	13.2	202	184	9.4
Depreciation on fixed assets and intangible assets	€ million	–28	–25	10.7	–84	–68	23.5
Operating result	€ million	**42**	**37**	**14.9**	**118**	**116**	**1.2**
Result from restructuring / special items	€ million	0	0	–	0	0	–
Result from companies consolidated at equity	€ million	5	7	–33.3	14	27	–47.7
Result from operations	€ million	**47**	**44**	**8.0**	**132**	**143**	**–7.6**
EBITDA margin	%	12.0	12.5		11.8	12.8	
Operating margin	%	7.3	7.4		6.9	8.0	
Investments in fixed assets [1]	€ million	30	32	–6.2	109	85	27.2
Investments in financial assets / acquisitions	€ million	6	0	–	7	46	–83.4
Total investments	€ million	**36**	**32**	**12.1**	**116**	**131**	**–11.5**
Shares in companies consolidated at equity	€ million				72	86	–15.8
Capital employed	€ million				2,167	1,574	37.6
Employees					**5,909**	**4,889**	**20.9**

[1] Including intangible assets.

TABLE 08

CROPENERGIES SEGMENT

Markets and general framework

Ethanol market

In the United States, the one-month futures contract for ethanol on the Chicago Board of Trade (CBOT) (expressed in euro) fell from 292 €/m^3 to 285 €/m^3 in the third quarter of 2018/19. The continuing high price pressure is due specially to increasing production surpluses. According to the most recent available data, ethanol production in the United States exceeded domestic consumption by more than 7.5 (6.9) million m^3 in 2018. Not only did the United States have steady high inventories throughout 2018 as a result, but it also exported more than 6.0 (5.2) million m^3 of ethanol to third countries according to preliminary trade statistics.

In Brazil, ethanol prices rose from 350 €/m^3 at the beginning of September 2018 to 425 €/m^3 at the end of November 2018. Ethanol production is expected to increase to 31.5 (27.8) million m^3 during the current 2018/19 sugar marketing year. The significantly expanded production is accompanied by strong demand growth. Domestic consumption is expected to rise to 31.2 (28.4) million m^3, so given a largely balanced supply and demand situation, no major net exports are expected from Brazil.

EU bioethanol volume balance

million m^3	2016	2017	2018e	2019e
Opening balance	**2.4**	**2.2**	**2.1**	**2.1**
Production	7.0	7.5	7.7	7.6
thereof fuel ethanol	4.8	5.3	5.4	5.2
Import	0.6	0.5	0.5	0.5
Consumption	−7.6	−7.9	−7.9	−7.9
thereof fuel ethanol	−5.1	−5.4	−5.3	−5.3
Export	−0.2	−0.2	−0.3	−0.3
Closing balance	**2.2**	**2.1**	**2.1**	**2.0**

Source: F. O. Licht. Data estimated of EU biothanol volume balance, December 2018.

TABLE 09

Ethanol prices in Europe continued their roller coaster trajectory during the reporting period. After reaching 505 €/m^3 at the beginning of September 2018, prices had dropped to about 475 €/m^3 by mid-October 2018. Short-term forward rates were discounted an additional 30 €/m^3 in spot price markets. By the end of November 2018, ethanol prices had recovered sharply and recently closed at 531 €/m^3, with spot prices quoted as high as about 590 €/m^3. The high volatility was driven especially by speculation about the capacity utilization of European factories, as well as the allure of imports. Ethanol imports are still expected to reach 0.5 (0.5) million m^3 in 2018. In contrast, domestic production is forecast at 7.7 (7.5) million m^3, and domestic consumption at 7.9 (7.9) million m^3. Fuel-grade ethanol production is expected to reach 5.4 (5.3) million m^3, slightly higher than consumption of 5.3 (5.4) million m^3.

Grain market

According to the US Department of Agriculture, world grain production (excluding rice) is expected to fall to 2,107 (2,120) million tonnes in 2018/19. Grain consumption is expected to come in at 2,153 (2,117) million tonnes, so inventories should decline to 603 (649) million tonnes.

Due to widespread drought in many regions of the EU, the EU Commission expects the grain harvest 2018/19 to fall to 285 (305) million tonnes. Consumption is expected to be largely unchanged from last year at 286 (286) million tonnes. European wheat prices on the Euronext in Paris remained high during the third quarter of 2018/19, fluctuating in a narrow range around the 200 €/t mark.

Renewable Energy Directive after 2020

Following approval by the European Parliament and the Council, the revised Renewable Energy Directive entered into force on 24 December 2018. According to this, the share of renewable energies is slated to rise to at least 32 % by 2030. A share of at least 14 % is stipulated in the transport sector. Renewable fuels from crops can contribute to this at the same rate. Their contribution should be up to one percentage point above the level achieved in 2020. At the same time, the use of biofuels and the resulting loss of carbon-rich areas (such as rain forests) to acquire the raw materials should be reduced successively from 2023 on. The share of fuels from waste and recycled materials should increase from 0.2 % in 2022 to at least 3.5 % in 2030. In addition, these fuels and renewable electricity can be allocated multiple times to the transportation sector target for road traffic.

The Renewable Energy Directive to 2030 provides an opportunity for using sustainably produced renewable fuels that will continue to contribute to climate protection on Europe's roads after 2020. To get there, it is now essential that all EU member states make progress on the blanket introduction of E10 without further delay. Multiple credits for certain fuels and energy sources must be critically assessed. Virtually boosting the renewable energy component will neither reduce the use of fossil fuels nor the associated emissions. In the coming years, all EU member states' respective national governing bodies will have to appropriately implement the European directives to reduce the consumption of fossil fuels and improve the climate footprint of fuels.

Business performance

Revenues and operating result

The CropEnergies segment's revenues during the reporting period remained substantially below last year's at € 532 (622) million, driven by significantly 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 first half of the year prior. In contrast, the higher ethanol sales revenues in the third quarter exceeded those reported in the previous year's comparable period.

Business performance – CropEnergies segment

		3rd quarter			1st – 3rd quarter		
		2018/19	2017/18	+/– in %	2018/19	2017/18	+/– in %
Revenues	€ million	**183**	**195**	**–5.8**	**532**	**622**	**–14.5**
EBITDA	€ million	15	22	–32.3	48	88	–45.1
Depreciation on fixed assets and intangible assets	€ million	–10	–10	1.0	–29	–29	1.4
Operating result	€ million	**5**	**12**	**–59.2**	**19**	**59**	**–67.8**
Result from restructuring/special items	€ million	10	0	–	10	0	–
Result from companies consolidated at equity	€ million	0	0	–	0	0	–
Result from operations	€ million	**15**	**12**	**28.8**	**29**	**59**	**–49.7**
EBITDA margin	%	8.0	11.1		9.1	14.2	
Operating margin	%	2.7	6.2		3.6	9.5	
Investments in fixed assets [1]	€ million	4	3	26.7	9	15	–44.8
Investments in financial assets/acquisitions	€ million	0	0	–	0	0	–
Total investments	€ million	**4**	**3**	**26.7**	**9**	**15**	**–44.8**
Shares in companies consolidated at equity	€ million				2	2	5.3
Capital employed	€ million				433	465	–6.9
Employees					**425**	**406**	**4.7**

[1] Including intangible assets.

TABLE 10

Due to the negative revenue trend, the operating result also fell during the reporting period, to € 19 (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.

Result of restructuring and special items

The result of restructuring and special items of € 10 (0) million is primarily attributable to the reversal of an accrual created in 2016/17 in regard to liquor tax risks in Germany in connection with ethanol sales. The associated court case was successfully concluded in the third quarter.

Investments in fixed assets

Investments of € 9 (15) million in the first nine months were for replacing core equipment and especially boosting the efficiency of production facilities; among others, projects to improve the flexibility of the input raw materials in Zeitz. The other plants also invested in various energy optimization and product innovation projects. Projects to improve the overall process were also completed.

FRUIT SEGMENT

Markets and general framework

Target markets

Global consumer trends driving the market continue to be: demand for natural products, sustainability, enjoyment and health. Two trends in the yogurt market make this especially evident: on the one hand, high demand for products with a strong focus on animal well-being (e.g., the use of milk from grass fed cows, pasture grazing), while on the other, the continued soaring demand for vegan milk alternatives (e.g. soya), because many consumers want to either restrict or entirely eliminate animal products. Clean labeling, the consumer demand for products with a preferably brief and understandable ingredients list, and products without an E number, is becoming more and more important. Another trend is toward smaller portion and package sizes, as well as combining highly nutritious products (yogurt with proteins) with new flavors (e.g. caramel, coffee).

Unusually high harvest volumes in the main cultivation regions of Poland, Hungary, Germany and Italy caused apple juice concentrates prices to drop sharply from last year's levels. Because of the spring frost in China and the introduction of an US import tariff on apple juice concentrate of Chinese origin, Europe was able to export significant volumes of apple juice concentrates to the United States.

Contracts have mostly been signed for the apple and berry fruit juice concentrates produced during the 2018 processing season.

Raw material markets

The volume of the apple harvest for the European 2018 harvest season was above average thanks to excellent development throughout the season. This led to excellent loading of the European factories, whereas apple volumes are expected to be significantly lower in China due to a spring frost.

Strawberry harvests have been completed in all regions. The company was able to sign contracts for the planned volumes in the main procurement markets, Morocco, Egypt, Spain and Mexico. Prices were moderately higher than last year.

In general, harvests for the remaining fruits required for the fruit preparation business (e.g., raspberries, sour cherries and pineapple) were significantly larger than last year, with the exception of blueberries.

Business performance – Fruit segment

		3rd quarter			1st – 3rd quarter		
		2018/19	2017/18	+/– in %	2018/19	2017/18	+/– in %
Revenues	€ million	**279**	**284**	**–1.9**	**890**	**884**	**0.7**
EBITDA	€ million	26	27	–0.4	90	87	3.0
Depreciation on fixed assets and intangible assets	€ million	–11	–11	2.8	–28	–28	–1.1
Operating result	€ million	**15**	**16**	**–2.6**	**62**	**59**	**4.9**
Result from restructuring / special items	€ million	0	0	–	0	0	–
Result from companies consolidated at equity	€ million	0	0	–	0	0	–
Result from operations	€ million	**15**	**16**	**–2.6**	**62**	**59**	**4.9**
EBITDA margin	%	9.4	9.3		10.1	9.8	
Operating margin	%	5.5	5.5		7.0	6.7	
Investments in fixed assets [1]	€ million	13	14	–7.4	33	29	15.2
Investments in financial assets / acquisitions	€ million	0	0	–	6	0	–
Total investments	€ million	**13**	**14**	**–7.4**	**39**	**29**	**35.6**
Shares in companies consolidated at equity	€ million				0	0	–
Capital employed	€ million				881	901	–2.3
Employees					**5,526**	**5,121**	**7.9**

[1] Including intangible assets.

TABLE 11

The 2018 berry season was very satisfactory and raw materials were available in abundance for the fruit juice concentrates division.

Business performance

Revenues and operating result

Revenues in the fruit segment remained stable at € 890 (884) million during the reporting period. Higher sales volumes offset lower sales revenues in fruit preparations. Despite lower volumes, fruit juice concentrates achieved sales growth thanks to significantly higher sales revenues.

Operating result rose moderately to € 62 (59) million in the first nine months of fiscal year 2018/19. In the fruit juice concentrates division this was driven by higher margins resulting from higher sales revenues. In the fruit preparations division lower margins on sales revenues and higher costs could not be offset by higher sales volumes.

Investments in fixed assets

Investments in the first three quarters totaled € 33 (29) million. The fruit preparations division invested in replacements, as well as capacity expansions; among others, a new fruit preparations plant in Jiangsu, China. In addition, investments were made in the installation of a further production line at the fruit preparations plant in Australia. In the fruit juice concentrates division, the focus was on the construction of a base plant for flavors in Austria. The division's investment focus also included replacements, production optimization and initiatives to meet market demands.

Investments in financial assets

Investments in financial assets in the amount of € 6 (0) million were attributable to the acquisition of 100 % of the shares in Hungarian fruit juice concentrates producer Brix Trade Kft., Nagykálló, in the first quarter as well as the acquisition of a 49 % stake in the Algerian fruit preparations producer SPA AGRANA Fruit Algeria (formerly: Elafruits SPA), Akbou, in the second quarter.

OUTLOOK

Group

We expect group consolidated revenues in fiscal 2018/19 to come in between € 6.6 to 6.9 (previous year: 7.0) billion. In the sugar segment, we anticipate a significant decline in revenues. In the CropEnergies segment we are assuming revenues in the range of € 690 to 720 million. We expect the special products segment's revenues to rise substantially and the fruit segment's to increase slightly.

We are assuming consolidated group operating result within a range of € 25 to 125 (previous year: 445) million. The earnings decrease will largely be attributable to the expected loss in the sugar segment. The CropEnergies segment's result is also expected to drop considerably. In the special products segment, we expect results to be at the previous year's level. In the fruit segment, we anticipate a slight increase in operating results.

We anticipate capital employed to rise further. Because of the declining operating result, we expect ROCE to drop sharply (previous year: 6.7 %).

Sugar segment

Because sugar prices are continuing to fall as expected and due to the drought-related smaller harvest for the full year we expect the sugar segment's volumes to remain nearly constant and revenues to decline sharply (previous year: € 3.0 billion).

In addition to the impact of the severe decline in sugar prices to a historic low, reduced utilization of production capacities and declining export volumes due to the drought-related smaller harvest will weigh on the result development in the second half of the fiscal year. Although since a couple of weeks there is a recovery in sugar sales revenues in spot markets due to the smaller harvests throughout Europe, there is no major impact on the current fiscal year as annual customer contracts were already signed. As a result, we expect the sugar segment to post an operating loss ranging between € –150 and –250 million (previous year: € 139 million).

Also against this background the announced strategy examination and re-assessment in the sugar segment will be intensified.

Special products segment

We expect the special products segment's revenues to rise substantially (previous year: € 2.0 billion). For the operating result we expect earnings at the previous year's level (previous year: € 158 million). The forecast is based on a very difficult market environment for sweeteners (starches) with very volatile, most recently higher ethanol revenues, whereas all other product areas are expected to develop as planned.

CropEnergies segment

The revenues and result downturn in the first three quarters was caused primarily by sharply lower ethanol prices than last year, lower sales volumes and higher raw material costs. Over the past few weeks, the price of ethanol in Europe has fluctuated widely. While in mid-October 2018 it had been quoted at around 475 €/m³, by mid-December 2018 it had climbed to 615 €/m³. Since price changes have a direct impact on revenues and result, we expect revenues to range between € 690 and 720 (previous year: 808) million. The operating result is expected to come in between € 25 and 40 (previous year: 72) million.

Fruit segment

We expect the fruit segment's revenues (previous year: € 1.2 billion) and the operating result to increase slightly (previous year: € 76 million) in fiscal 2018/19. Thanks to rising sales volumes in all business units, we expect the fruit preparations division's revenues to grow, but operating result to decline significantly due to negative foreign-exchange factors. In the fruit juice concentrates division, we expect stable revenues and operating result to increase significantly.

Forward looking statements / forecasts

This quarterly statement contains forward looking statements. The statements are based on current assumptions and estimates made by the executive board and information currently available to its members. The forward looking statements are not to be viewed as guarantees of the future developments and results presented therein. Future developments and results are in fact dependent on a variety of factors and are subject to various risks and imponderables. They are based on assumptions that could in fact prove to be invalid.

The risk management report in the 2017/18 annual report on pages 83 to 94 presents an overview of the risks. Taking into account all known facts, we have not identified any risks, either individually or as a whole, that threaten the continued existence of Südzucker Group.

We accept no obligation to update the forward-looking statements contained in this statement.

On this report

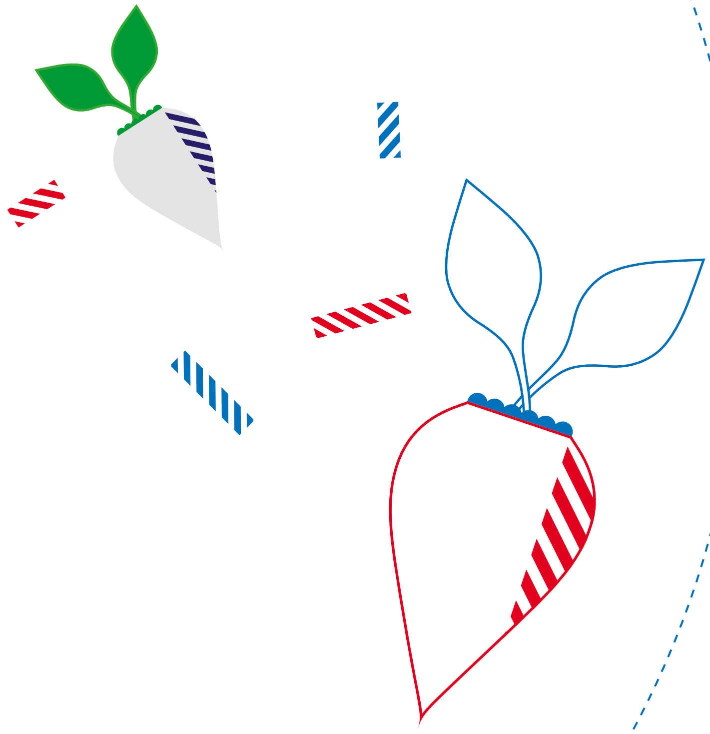
This quarterly statement was not reviewed or audited. Südzucker AG's executive board prepared this quarterly statement on 28 December 2018.

This quarterly statement is available in German and English. This translation is provided for convenience and should not be relied upon exclusively. PDF files of the interim report can be downloaded from the company's website at:

www.suedzucker.de/de/Investor-Relations/ or
www.suedzucker.de/en/Investor-Relations/

Südzucker AG's fiscal year is not aligned with the calendar year. The first to third quarter extends from 1 March to 30 November.

On the preceding pages, the numbers in brackets represent the corresponding previous year's figures or items. Numbers and percentages stated are subject to differences due to rounding. Typing and printing errors reserved.



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