Q3

Quarterly Statement First to third quarter 2020/21

1 March to 30 November 2020

Consolidated group revenues

€ 5,089 [5,028] million

Consolidated group operating result

€ 195 [113] million

FULL-YEAR FISCAL 2020/21 FORECAST ADJUSTED

€ 6.6 to 6.8 [2019/20: 6.7] billion

Consolidated group revenues

€ 190 to 240 [2019/20: 116] million

Consolidated group operating result

SÜDZUCKER

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OVERVIEW

First to third quarter 2020/21

- Consolidated group revenues of € 5,089 (5,028) million remained at last year's level.

- Consolidated group operating result increased substantially by € 82 million or 73 % to € 195 (113) million.

- Sugar segment reports revenues at last year's level and significantly lower operating loss mainly due to higher sugar sales revenues:
  - Revenues: € 1,730 (1,739) million
  - Operating result: € –80 (–146) million

- Continued growth in the special products segment. Increased revenues and improved operating result due to higher volumes:
  - Revenues: +5 % to € 1,885 (1,796) million
  - Operating result: € 154 (143) million

- CropEnergies segment reports decrease in revenues but higher results due to increased ethanol sales revenues:
  - Revenues: –4 % to € 582 (604) million
  - Operating result: € 79 (70) million

- Fruit segment reports revenues at previous year's level and moderate decline in operating result:
  - Revenues: € 892 (889) million
  - Operating result: € 42 (46) million

Full-year fiscal 2020/21 forecast adjusted[1]

- Consolidated group revenues expected to come in at € 6.6 to 6.8 (2019/20: 6.7) billion.
- Consolidated group operating result expected to range between € 190 to 240 (2019/20: 116) million.
- Capital employed at last year's level; significant increase in ROCE (2019/20: 1.8 %).

[1] Adjusted forecast published on 14 December 2020.

Group figures as of 30 November 2020

				1st – 3rd quarter
		2020/21	2019/20	+ / – in %
Revenues and earnings				
Revenues	€ million	5,089	5,028	1.2
EBITDA	€ million	456	373	22.4
EBITDA margin	%	9.0	7.4	
Depreciation	€ million	– 261	– 260	0.7
Operating result	€ million	195	113	72.5
Operating margin	%	3.8	2.2	
Net earnings	€ million	– 53	– 35	51.0
Cash flow and investments				
Cash flow	€ million	378	283	33.7
Investments in fixed assets [1]	€ million	194	224	– 13.7
Investments in financial assets / acquisitions	€ million	11	10	11.8
Total investments	€ million	205	234	– 12.6
Performance				
Fixed assets [1]	€ million	3,221	3,307	– 2.6
Goodwill	€ million	724	737	– 1.9
Working capital	€ million	2,028	2,035	– 0.4
Capital employed	€ million	6,085	6,192	– 1.7
Capital structure				
Total assets	€ million	8,013	8,408	– 4.7
Shareholders' equity	€ million	3,469	3,764	– 7.8
Net financial debt	€ million	1,360	1,359	0.1
Equity ratio	%	43.3	44.8	
Net financial debt as % of equity (gearing)	%	39.2	36.1	
Shares				
Market capitalization on 30 November	€ million	2,716	2,781	– 2.3
Total shares issued as of 30 November	millions of shares	204.2	204.2	0.0
Closing price on 30 November	€	13.30	13.62	– 2.3
Earnings per share on 30 November	€	– 0.56	– 0.42	33.3
Average trading volume / day	thousands of shares	701	630	11.3
Performance Südzucker share 1 March to 30 November	%	– 5.5	6.0	
Performance SDAX® 1 March to 30 November	%	21.6	12.5	
Employees		**19,136**	**19,947**	**– 4.1**

[1] Including intangible assets.

TABLE 01

ECONOMIC REPORT

Group results of operations

Revenues, EBITDA and operating result

In the first nine months of fiscal 2020/21, consolidated group revenues totaled € 5,089 (5,028) million, thus remaining at the previous year's level. While the CropEnergies segment's revenues declined slightly and those of the sugar and fruit segments were at the last year's level, revenues in the special products segment rose moderately.

Group EBITDA rose significantly by € 83 million to € 456 (373) million.

Consolidated group operating result rose significantly to € 195 (113) million due to reduced sugar segment losses and improved results in the special products and CropEnergies segments.

Result from operations

Result from operations of € 45 (43) million comprises an operating result of € 195 (113) million, the result from restructuring and special items of € −25 (−12) million and the result from companies consolidated at equity of € −125 (−58) million.

Result of restructuring and special items

The result from restructuring and special items of € −25 (−12) million included in particular the expenses due to the follow-up effects of the factory closures decided in the sugar segment at the end of fiscal 2018/19 and adjustments of the related administrative organizations. Last year's number was also attributable in part to the sugar segment and related to Südzucker offers to return delivery rights to the beet farmers who had served the Warburg and Brottewitz factories. Both factories were closed after the 2019 campaign.

Result from companies consolidated at equity

The result from companies consolidated at equity reported by the sugar and special products segments totaled € −125 (−58) million and relates mainly to charges from the investment in ED&F Man Holdings Limited, London, United Kingdom. For further details please refer to the same heading in the sugar segment section of the report.

Business performance – Group

		3rd quarter			1st–3rd quarter		
		2020/21	2019/20	+/– in %	2020/21	2019/20	+/– in %
Revenues	€ million	**1,740**	**1,713**	**1.6**	**5,089**	**5,028**	**1.2**
EBITDA	€ million	181	158	14.7	456	373	22.4
Depreciation on fixed assets and intangible assets	€ million	−115	−119	−3.8	−261	−260	0.7
Operating result	€ million	**66**	**39**	**71.8**	**195**	**113**	**72.5**
Result from restructuring / special items	€ million	−14	−7	> 100	−25	−12	> 100
Result from companies consolidated at equity	€ million	−126	−60	> 100	−125	−58	> 100
Result from operations	€ million	**−74**	**−28**	**> 100**	**45**	**43**	**4.2**
EBITDA margin	%	10.4	9.2		9.0	7.4	
Operating margin	%	3.8	2.3		3.8	2.2	
Investments in fixed assets [1]	€ million	67	74	−10.1	194	224	−13.7
Investments in financial assets / acquisitions	€ million	0	4	−100.0	11	10	11.8
Total investments	€ million	**67**	**78**	**−14.4**	**205**	**234**	**−12.6**
Shares in companies consolidated at equity	€ million				188	332	−43.3
Capital employed	€ million				6,085	6,192	−1.7
Employees					**19,136**	**19,947**	**−4.1**

[1] Including intangible assets.

TABLE 02

Financial result

The financial result for the first nine months of € −37 (−31) million includes net interest result of € −18 (−19) million as well as a result from other financing activities of € −19 (−12) million. The strong increase in other financial results is attributable to the complete write-down of a minority interest in a French sugar factory.

Taxes on income

Earnings before taxes were reported at € 8 (12) million and taxes on income totaled € −61 (−47) million.

Consolidated net loss

Of the consolidated net loss of € −53 (−35) million, € −115 (−87) million were allocated to Südzucker AG shareholders, € 10 (10) million to hybrid equity and € 52 (42) million to other non-controlling interests, mainly the co-owners of AGRANA Group and CropEnergies Group.

Earnings per share

Earnings per share for the first to third quarter of fiscal 2020/21 came in at € −0.56 (−0.42). The calculation was based on the time-weighted average of 204.2 (204.2) million shares outstanding.

Income statement

	3rd quarter			1st–3rd quarter		
€ million	2020/21	2019/20	+/− in %	2020/21	2019/20	+/− in %
Revenues	**1,740**	**1,713**	**1.6**	**5,089**	**5,028**	**1.2**
Operating result	66	39	71.8	195	113	72.5
Result from restructuring / special items	−14	−7	> 100	−25	−12	> 100
Result from companies consolidated at equity	−126	−60	> 100	−125	−58	> 100
Result from operations	**−74**	**−28**	**> 100**	**45**	**43**	**4.2**
Financial result	−10	−14	−28.6	−37	−31	19.4
Earnings before income taxes	**−84**	**−42**	**> 100**	**8**	**12**	**−28.8**
Taxes on income	−35	−14	> 100	−61	−47	30.9
Net earnings	**−119**	**−56**	**> 100**	**−53**	**−35**	**51.0**
of which attributable to Südzucker AG shareholders	−140	−73	93.1	−115	−87	32.2
of which attributable to hybrid capital	3	3	−3.1	10	10	−2.0
of which attributable to other non-controlling interests	18	14	32.8	52	42	24.4
Earnings per share (€)	**−0.68**	**−0.35**	**94.3**	**−0.56**	**−0.42**	**33.3**

TABLE 03

Group financial position

Cash flow

Cash flow reached € 378 million, compared to € 283 million during the same period last year. This translates into 7.4 (5.6) % of sales revenues.

Working Capital

The cash inflow from reduced working capital of € 160 million – after a cash outflow of € −41 million in the prior period – was primarily due to inventory reduction, especially the sugar segment's.

Investments in fixed assets

Investments in fixed assets (including intangible assets) totaled € 194 (224) million in the first nine months. The sugar segment's investments of € 85 (73) million were again mainly for replacements, investments in the electronic installations and automation sectors as well as for compliance with legal or regulatory requirements. Investments of € 75 (101) million in the special products segment related to the continued creation of new production capacities in the starch division as well as plant expansions and optimizations at BENEO and Freiberger. In the CropEnergies segment € 19 (20) million was spent on replacement investments and measures to increase the efficiency of production plants. In the fruit segment, the company invested € 15 (30) million primarily to the fruit preparations division to build new production capacities through the construction of new production lines and the expansion of existing ones.

Investments in financial assets

Investments in financial assets totaling € 11 (10) million related mainly to AGRANA Stärke GmbH's acquisition of Marroquin Organic International Inc., Santa Cruz, USA. Marroquin Organic is fully included in the consolidated financial statements as of the end of the second quarter of 2020/21. The trading company, specialized in organic products, serves B2B customers and purchases a large part of its product portfolio from AGRANA Stärke. Last year's investments in financial assets consisted mainly of the 50 % joint venture Beta Pura GmbH, Vienna, Austria, which started production in August 2020, the 3.5 % interest acquired in DouxMatok Ltd., located in Pechta-Tikva, Israel, and the increase in the stake in Collaborative Packing Solutions [Pty] Ltd, Johannesburg, South Africa, from 40 % to 75 %.

Development of net financial debt

Net financial debt was down € 210 million, from € 1,570 million on 29 February 2020 to € 1,360 million on 30 November 2020. Total investments of € 205 million and the € 93 million earnings distribution were fully financed from cash flow of € 378 million and the cash inflow of € 160 million due to the reduction of the working capital.

Due to a fixed-term deposit reallocation, last year some current assets were reclassified from the balance sheet item cash and cash equivalents to the balance sheet item securities, resulting in an adjustment of the previous year's other cash flows from investing activities. This reallocation did not result in any change in net financial debt. Further details hereto and to last year's first-time application of IFRS 16 (leases) can be found in the 2019/20 annual report on pages 126 and 127.

Cash flow statement

	3rd quarter			1st – 3rd quarter		
€ million	2020/21	2019/20	+/– in %	2020/21	2019/20	+/– in %
Cash flow	**141**	**107**	**32.6**	**378**	**283**	**33.7**
Increase (–) / decrease (+) in working capital	**30**	**– 160**	**–**	**160**	**– 41**	**–**
Gains (–) / losses (+) from the disposal of non-current assets / securities	0	0	–	0	– 1	– 71.4
Net cash flow from operating activities	**171**	**– 54**	**–**	**538**	**241**	**> 100**
Total investments in fixed assets [1]	– 67	– 74	– 10.1	– 194	– 224	– 13.7
Investments in financial assets / acquisitions	0	– 4	– 100.0	– 11	– 10	11.8
Total investments	**– 67**	**– 78**	**– 14.1**	**– 205**	**– 234**	**– 12.6**
Other cashflows from investing activities	81	18	> 100	64	34	88.2
Cash flow from investing activities	**14**	**– 60**	**–**	**– 141**	**– 200**	**– 29.7**
Repayment (–) / refund (+) of financial liabilities	– 108	86	–	– 249	98	–
Increases in stakes held in subsidiaries (–)	0	0	–	– 1	0	–
Dividends paid	– 5	– 6	– 1.8	– 93	– 97	– 4.5
Cash flow from financing activities	**– 113**	**80**	**–**	**– 343**	**1**	**–**
Other change in cash and cash equivalents	0	2	– 100.0	– 6	0	–
Decrease (–) / Increase (+) in cash and cash equivalents	**72**	**– 32**	**–**	**48**	**42**	**14.3**
Cash and cash equivalents at the beginning of the period	174	222	– 21.6	197	148	33.6
Cash and cash equivalents at the end of the period	**246**	**190**	**29.6**	**246**	**190**	**29.6**

[1] Including intangible assets.

TABLE 04

Group assets

Balance sheet

€ million	30 November 2020	30 November 2019	+/– in %
Assets			
Intangible assets	954	1,000	−4.5
Fixed assets	2,990	3,044	−1.8
Remaining assets	310	457	−32.2
Non-current assets	**4,254**	**4,501**	**−5.5**
Inventories	2,043	2,094	−2.4
Trade receivables	1,014	1,035	−2.0
Remaining assets	702	778	−9.8
Current assets	**3,759**	**3,907**	**−3.8**
Total assets	**8,013**	**8,408**	**−4.7**
Liabilities and equity			
Equity attributable to shareholders of Südzucker AG	1,940	2,229	−13.0
Hybrid capital	654	654	0.0
Other non-controlling interests	875	881	−0.6
Total equity	**3,469**	**3,764**	**−7.8**
Provisions for pensions and similar obligations	981	941	4.3
Financial liabilities	1,454	1,436	1.3
Remaining liabilities	405	410	−1.2
Non-current liabilities	**2,840**	**2,787**	**1.9**
Financial liabilities	379	434	−12.8
Trade payables	866	941	−8.0
Remaining liabilities	459	482	−4.8
Current liabilities	**1,704**	**1,857**	**−8.3**
Total liabilities and equity	**8,013**	**8,408**	**−4.7**
Net financial debt	1,360	1,359	0.1
Equity ratio in %	43.3	44.8	
Net financial debt as % of equity (gearing)	39.2	36.1	

TABLE 05

Non-current assets

Non-current assets were down € 247 million to € 4,254 (4,501) million. The carrying value of fixed assets fell by € 54 million to € 2,990 (3,044) million, as investments were lower than current depreciation and amortization. The € 147 million decline in other assets to € 310 (457) million was primarily due to a lower share of companies consolidated at equity resulting from the recognized prorated share of losses of ED&F Man Holdings Limited, London, UK, in fiscal 2019/20, as well as the partial impairment of this investment in the third quarter of 2020/21; the minority interest in a French sugar factory was already completely written down in the second quarter of 2020/21.

Current assets

Current assets were down € 148 million to € 3,759 (3,907) million. Inventories were down € 51 million to € 2,043 (2,094) million, mainly as a result of the sugar segment. Trade receivables were € 21 million lower than last year at € 1,014 million (1,035 million). The € 76 million drop in value of other assets to € 702 (778) million was mainly due to fewer security holdings combined with an increase in cash and cash equivalents.

Equity

Equity dropped to € 3,469 (3,764) million and the equity ratio to 43 (45) %. Südzucker AG shareholders' equity decreased to € 1,940 (2,229) million, mainly as a result of the prorated annual loss for the year since the reporting date of the prior year. Other non-controlling interests were roughly on a par with the previous year at € 875 (881) million.

Non-current liabilities

Non-current liabilities increased € 53 million to € 2,840 (2,787) million, driven primarily by higher provisions for pensions and similar obligations of € 981 (941) million and a lower market discount rate of 1.15 (1.25) % than at last year's 30 November date. Financial liabilities of € 1,454 (1,436) million and other liabilities of € 405 (410) million were comparable to last year.

Current liabilities

Current liabilities declined € 153 million to € 1,704 (1,857) million. The current financial liabilities decreased by € 55 million to € 379 (434) million, primarily as a result of the lower issuance of commercial papers. However, trade payables decreased by € 75 million to € 866 (941) million and include liabilities toward beet growers in the amount of € 294 (346) million. Other debt, consisting of other provisions, taxes owed and other liabilities, decreased by € 23 million to € 459 (482) million.

Net financial debt

Net financial debt was at the previous year's level of € 1,360 (1,359) million on 30 November 2020, which corresponds to 39 (36) % of equity.

Employees

The number of persons employed by the group (full-time equivalent) at the end of the first nine months of fiscal 2020/21 was lower than last year at 19,136 (19,947). The smaller sugar segment workforce resulted especially from the shutdown of four sugar factories following the 2019/20 campaign. In the fruit segment, the drop was mainly due to a reduced need for seasonal workers for the fruit preparations business.

Employees by segment at balance sheet date

30 November	2020	2019	+/– in %
Sugar	7,344	8,044	−8.7
Special products	6,147	5,999	2.5
CropEnergies	450	442	1.8
Fruit	5,195	5,462	−4.9
Group	**19,136**	**19,947**	**−4.1**

TABLE 06

SUGAR SEGMENT

Markets

World sugar market

In its latest update of the estimated world sugar balance for the past 2019/20 marketing year (1 October – 30 September) as of November 2020, market analyst F.O. Licht projects a production deficit of 5.3 million tonnes of sugar (previous year: surplus of 0.7 million tonnes). Although demand is now only expected to decline slightly as a result of the corona pandemic, crude oil market distortions are causing Brazil to now produce substantially more sugar instead of ethanol. Despite these Brazilian production increases, world sugar production is declining due to lower production volumes, especially from India and Thailand. This will cause inventory levels to decline.

World market sugar prices

1 December 2017 to 30 November 2020,
London, nearest forward trading month

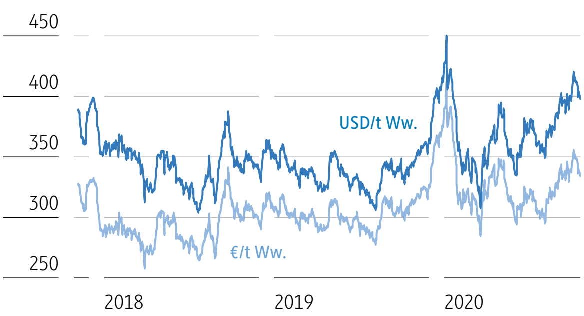

DIAGRAM 01

F.O. Licht now expects a further deficit of 3.0 million tonnes for the 2020/21 marketing year. Inventories are expected to decline again as global sugar production is now projected to remain unchanged, also due to weaker harvest expectations in Europe, while world sugar consumption is expected to rise slightly.

In early 2020, the world market price for white sugar had risen to as high as 413 €/t by mid-February due to excellent fundamentals. After that, crude oil prices and the currencies of emerging countries like Brazil dropped due to the corona-related world economy downturn. Both factors exerted enormous pressure on the world market price for sugar and within a few weeks it had dropped to around 300 €/t, reaching a low of 283 €/t at the end of April. Thereafter, world market prices fluctuated in a range between around 290 €/t and approximately 360 €/t. At the end of the reporting period, the world market price was 333 €/t.

EU sugar market

In the expired 2019/20 sugar marketing year, sugar production (EU including United Kingdom; including isoglucose) fell further to 18.0 (18.2) million tonnes due to smaller cultivation areas and renewed below-average sugar yields caused by drought. As a result, sugar had to be imported again.

The EU price for sugar (food and non-food, ex-factory) was quoted at 332 €/t at the beginning of the expired sugar marketing year in October 2019 and has risen in the course of the sugar marketing year to almost 380 €/t. At the beginning of the new sugar marketing year 2020/21, the most recent price, published in October 2020, climbed to 381 €/t. But there are significant regional price differences across the deficit and surplus regions within the EU.

The EU Commission expects the beet cultivation area for the EU-27 and the United Kingdom to contract by about a further 3 % for the 2020/21 sugar marketing year that has now begun. Yields are expected to remain weak in 2020 in the main cultivation regions due to difficult weather conditions and elevated Yellow Virus infestations, especially in France and the United Kingdom. The EU Commission therefore expects beet sugar production (EU including UK; excluding isoglucose) to drop by 1.8 million tonnes to 15.7 (17.5) million tonnes, a significant decline. This more than offsets the inventory built up during the 2019/20 sugar marketing year due to the temporarily reduced demand caused by the corona pandemic. The EU will remain for the third sugar marketing year in a row, a net importer of sugar in sugar marketing year 2020/21.

Energy market

At the start of September 2020 the price of Brent crude was quoted at 46 US dollars per barrel. It closed at 48 US dollars per barrel on 30 November 2020 after trending sideways for quite some time. The renewed Europe-wide mobility restrictions since mid-October have not yet driven down prices. Production cutbacks by the OPEC nations over the course of the year and the apparent continued buildup of strategic oil reserves in China have also contributed to maintaining the fragile equilibrium.

Legal and political environment

It is becoming increasingly unlikely that the Mercosur agreement will be ratified after the German Council Presidency has now too criticized slash and burn activities in the Amazon region.

Even though the EU signed a trade deal with the United Kingdom at the end of December 2020, the volume of sugar the UK will import from the EU is expected to decline. In the past, the main European producing countries had exported between 300,000 and 400,000 tonnes of sugar to the UK.

Aside from the aforementioned, there have been no material changes during the reporting period to the legal and political general conditions than those outlined on pages 67 and 68 of the 2019/20 annual report (consolidated management report, economic report, sugar segment).

Business performance

Revenues and operating result

The sugar segment's revenues were comparable to last year at € 1,730 (1,739) million. Sugar sales revenues were higher but volumes were substantially lower, due in part to reduced sugar production during the 2019 campaign. In addition, the short-term positive effects of hamstering in the retail sector at the beginning of the fiscal year were negated over the further course of the year because of lower demand from the sugar processing industry due to measures to contain the corona crisis.

The segment was able to significantly trim its operating loss to € −80 (−146) million. The improvement was driven mainly by higher sugar sales revenues due to price increases since the beginning of the 2019/20 and 2020/21 sugar marketing

Business performance – Sugar segment

		3rd quarter			1st−3rd quarter		
		2020/21	2019/20	+/− in %	2020/21	2019/20	+/− in %
Revenues	€ million	**617**	**616**	**0.2**	**1,730**	**1,739**	**−0.5**
EBITDA	€ million	35	13	> 100	25	−37	–
Depreciation on fixed assets and intangible assets	€ million	−61	−67	−8.4	−105	−109	−3.5
Operating result	€ million	**−26**	**−54**	**−53.2**	**−80**	**−146**	**−44.7**
Result from restructuring / special items	€ million	−13	−7	> 100	−27	−13	> 100
Result from companies consolidated at equity	€ million	−134	−64	> 100	−141	−69	> 100
Result from operations	€ million	**−173**	**−125**	**37.8**	**−248**	**−228**	**9.3**
EBITDA margin	%	5.9	2.2		1.4	−2.1	
Operating margin	%	−4.1	−8.7		−4.7	−8.4	
Investments in fixed assets [1]	€ million	32	24	30.5	85	73	15.8
Investments in financial assets / acquisitions	€ million	0	2	−100.0	0	8	–
Total investments	€ million	**32**	**26**	**20.5**	**85**	**81**	**4.4**
Shares in companies consolidated at equity	€ million				114	260	−56.2
Capital employed	€ million				2,507	2,563	−2.2
Employees					**7,344**	**8,044**	**−8.7**

[1] Including intangible assets.

TABLE 07

years, which more than offset lower sales volumes, higher production costs and a decline in capacity utilization as a result of the increasingly deteriorating harvest expectations.

Result of restructuring and special items

The result from restructuring and special items of € −27 (−13) million related in particular to follow-up expenses for the factory closures resolved at the end of fiscal 2018/19 and charges from the adjustment of administrative structures. Last year the expenses included the offer to the Warburg and Brottewitz factory's beet farmers to return their delivery rights. Both factories were closed after the 2019 campaign.

Result from companies consolidated at equity

The sugar segment's result for companies consolidated at equity was € −141 (−69) million and relates primarily to ED&F Man Holdings Limited, London, United Kingdom, in which Südzucker holds an interest of about 35 %. Although ED&F Man continued to be a profitable trading company in the fiscal year ending 30 September 2020, charges related to the delayed strategic realignment caused by the corona pandemic led to a net loss for the year.

The result from companies consolidated at equity comprises especially the net loss for the year attributable to Südzucker and the complete write-off of the goodwill included in the shares of companies consolidated at equity. The carrying amount of the shares of ED&F Man of € 224 million as of 29 February 2020 dropped to € 89 million as of 30 November 2020.

In September 2020, ED&F Man was able to secure a three-year extension to its existing financing and thus gain the time required for its strategic alignment.

However, due to the continued negative impact on earnings from industrial holdings, the more difficult brokerage business due to the low interest rate situation, higher refinancing costs and the influence of the corona pandemic, we expect ED&F Man to continue to have a negative impact on our at equity result in the upcoming quarters.

Beet cultivation and 2020 campaign

Drought in spring, but also in some regions in summer, a severe virus infestation in France, Belgium and parts of Germany, as well as leaf diseases, particularly in Poland and the AGRANA areas, led to an overall below-average yield in the Südzucker Group. Due to the disparity in beet yields, the campaign will end as early as December 2020 at a number of sites, while other cultivation areas will not be finished until the beginning of February 2021.

Investments in fixed assets

Investments of € 85 (73) million in the first three quarters continued to be mainly for replacements, especially for process control and electrical equipment. Other projects included logistics improvements and complying with market requirements. This includes a new bagging system that uses plastic bags, adjustments to bulk sugar loading capacity, a new tank to increase syrup storage capacity and expansion of organic sugar production systems. Environmental investments included wastewater treatment systems in as well as projects related to compliance with legal or regulatory requirements.

SPECIAL PRODUCTS SEGMENT

Business performance

Revenues and operating result

In the special products segment, growth continued in the third quarter, with revenues for the first three quarters increasing further year-on-year to € 1,885 (1,796) million. The increase was also supported by the starch segment's capacity expansions, which had been started up over the course of the year prior. While some products, such as frozen pizzas and food service goods, benefited from the measures taken to slow the corona virus spread, other product groups such as sweeteners and portion packs for the food service sector suffered significantly.

At the end of the first nine months, the operating result rose moderately to € 154 (143) million. Steady revenue growth more than offset higher costs. The recovery in ethanol sales revenues after the price drop at the beginning of the fiscal year also contributed positively. However, corona related charges rose for the higher margin product groups over the course of the third quarter.

Result from companies consolidated at equity

The result of € 16 (11) million from companies consolidated at equity was attributable to the share of earnings from Hungarian Hungrana Group's starch and bioethanol businesses.

Business performance – Special products segment

		3rd quarter			1st–3rd quarter		
		2020/21	2019/20	+/– in %	2020/21	2019/20	+/– in %
Revenues	€ million	**624**	**604**	**3.2**	**1,885**	**1,796**	**5.0**
EBITDA	€ million	83	86	–2.7	249	230	8.3
Depreciation on fixed assets and intangible assets	€ million	–32	–30	7.8	–95	–87	8.8
Operating result	€ million	**51**	**56**	**–8.2**	**154**	**143**	**8.0**
Result from restructuring / special items	€ million	0	0	–	1	0	> 100
Result from companies consolidated at equity	€ million	8	4	78.0	16	11	48.2
Result from operations	€ million	**59**	**60**	**–2.5**	**171**	**154**	**11.3**
EBITDA margin	%	13.3	14.1		13.2	12.8	
Operating margin	%	8.2	9.2		8.2	7.9	
Investments in fixed assets [1]	€ million	26	34	–22.9	75	101	–25.8
Investments in financial assets / acquisitions	€ million	0	2	–100.0	11	1	> 100
Total investments	€ million	**26**	**36**	**–26.6**	**86**	**102**	**–16.0**
Shares in companies consolidated at equity	€ million				72	69	3.0
Capital employed	€ million				2,220	2,251	–1.4
Employees					**6,147**	**5,999**	**2.5**

[1] Including intangible assets.

TABLE 08

Investments in fixed assets

The special products segment's investments of € 75 (101) million in the BENEO division were for capacity expansions at all sites. The new six-stage evaporator station project – government supported thanks to high energy efficiency – at the Offstein plant in Germany is in progress, as is the warehouse expansion. Initiatives to comply with market requirements and expand capacity in the infant formula category are ongoing at the Oreye site in Belgium. The first stage of the third rice starch line is complete and was started up in the third quarter of 2020. Work was starting on the multi-year project to improve energy efficiency while reducing fossil fuels consumption at the plant in Pemuco, Chile.

The Freiberger division is working on projects to increase production capacity and cut manufacturing costs. This includes mainly various automation projects at Richelieu in the United States.

The wet starch derivative production expansion in Aschach, Austria was completed as of the third quarter 2020/21. One subsection of the specialty corn processing plant was also completed and the next subsection is now at the planning stage. The glucose post-thickening expansion in Zeitz, Germany was started up.

PortionPack Europe's investments were focused on replacements and maintenance and work related to various certifications and/or legal compliance. Another key initiative was revamping machines due to the corona pandemic situation.

CROPENERGIES SEGMENT

Markets

Ethanol market

European ethanol prices fell significantly from about 725 €/m³ at the beginning of September 2020 and a record high of 840 €/m³ in September 2020 to around 530 €/m³ at the end of November 2020. The average price in the third quarter of 2020/21 was 801 €/m³.

Fuel sales recovered in summer but began declining slightly again in September 2020. Further volume reductions are to be expected due to the renewed mobility restrictions in much of Europe.

Production in the EU-27 and UK is projected to fall to 6.9 (7.4) million m³ in 2020 and domestic consumption to 8.0 (8.3) million m³. The drop is primarily expected in the fuel-grade ethanol category, while demand for ethanol in industrial applications is rising sharply, mainly driven by higher demand for ethanol as a basic ingredient for disinfectants. Imports are expected to come in at 1.9 (2.0) million m³, thus reflecting last year's level.

Grain market

According to the International Grains Council (IGC), world grain production (excluding rice) is expected to rise to 2,219 (2,186) million tonnes in 2020/21, largely in line with expected grain consumption of 2,221 (2,193) million tonnes. Global grain inventories are thus expected to remain largely unchanged at 616 (618) million tonnes.

For the EU-27, the EU Commission expects the 2020/21 grain harvest to increase to 271 (294) million tonnes. Consumption is expected to be only slightly lower than last year at 261 (262) million tonnes. European wheat prices on the Euronext in Paris rose sharply over the course of the third quarter of 2020/21, from about 190 €/t at the beginning of September 2020 to about 210 €/t at the end of November 2020. The robust increase was driven by the slow pace of the corn harvest, difficult planting conditions in key cultivation areas and high global wheat demand.

Legal and political environment

Renewable Energy Directive after 2020

After 2020, the revised renewable energy directive (RED II) calls for the share of renewable energy in the transport sector to rise to at least 14 % in 2030. The contribution from renewable fuels from normal crops is to be up to one percentage point above the 2020 level. The share of fuels from waste and recycled materials is slated to increase from 0.2 % in 2022 to at least 3.5 % in 2030. Furthermore, these fuels, along with electricity from renewable sources, can be applied to the transport target multiple times in road traffic. Sustainably produced, renewable fuels will thus continue to represent a cornerstone for greater climate protection in the transportation sector.

Under the terms of the European Green Deal, the climate protection target for 2030 is to be raised from 40 % to at least 55 % fewer greenhouse gas emissions, based on the year 1990 respectively. The extent to which the renewable energy directive can contribute towards this goal will also be reviewed.

While the EU is discussing further increases in renewable energy targets, member states are currently preparing for RED II implementation. In Germany, the Federal Ministry of the Environment presented initial implementation recommendations hereto at the end of September 2020. However, the German biofuel industry viewed these as inadequate and not very ambitious. For instance, among other things, the proposals suggested that the greenhouse gas avoidance quota (GHG quota) be increased only from the current 6.00 % to 7.25 % in 2026 and that the share of biofuels from ordinary crops be disproportionately limited to 2.70 % from 2026 onwards.

In December 2020, the federal ministries involved agreed to set more ambitious climate and energy targets in the transport sector. They are expected to be adopted by the federal cabinet in January 2021. The goals call for the GHG quota to be incrementally increased to 22 % in 2030. Biofuels from ordinary crops are expected to be able to contribute up to 4.40 %. The share of advanced biofuels is to be increased steadily from 0.05 % in 2020 to 2.60 % in 2030. Other renewable fuel alternatives are to be subsidized alongside established biofuels, including synthetic fuels, which will count double, and renewable electricity, which will count triple towards the GHG quota.

The new proposals reflect key German biofuel industry demands. It had previously lobbied for a higher GHG quota and maintaining the same credits for biofuels from normal crops. Parliament is expected to discuss the proposals for implementing RED II in spring 2021.

Business performance – CropEnergies segment

		3rd quarter			1st–3rd quarter		
		2020/21	2019/20	+/– in %	2020/21	2019/20	+/– in %
Revenues	€ million	**209**	**199**	**5.0**	**582**	**604**	**–3.7**
EBITDA	€ million	39	37	4.3	109	102	7.1
Depreciation on fixed assets and intangible assets	€ million	–10	–10	–4.8	–30	–32	–6.0
Operating result	€ million	**29**	**27**	**7.9**	**79**	**70**	**12.9**
Result from restructuring/special items	€ million	0	0	–	2	1	>100
Result from companies consolidated at equity	€ million	0	0	–	0	0	>100
Result from operations	€ million	**29**	**27**	**7.9**	**81**	**71**	**14.3**
EBITDA margin	%	18.4	18.6		18.8	16.9	
Operating margin	%	13.7	13.3		13.6	11.6	
Investments in fixed assets[1]	€ million	5	7	–34.8	19	20	–4.6
Investments in financial assets/acquisitions	€ million	0	0	–	0	0	–
Total investments	€ million	**5**	**7**	**–34.8**	**19**	**20**	**–4.6**
Shares in companies consolidated at equity	€ million				3	2	18.2
Capital employed	€ million				426	443	–3.8
Employees					**450**	**442**	**1.8**

[1] Including intangible assets.

TABLE 09

Aside from the aforementioned, there have been no material changes during the reporting period to the legal and political general conditions than those outlined on page 80 of the 2019/20 annual report (consolidated management report, economic report, CropEnergies segment).

Business performance

Revenues and operating result

The CropEnergies segment's revenues fell slightly to € 582 (604) million in the first three quarters. Following the steep ethanol price drop at the beginning of the fiscal year due to the lower fuel demand caused by the corona crisis, sales revenues recovered sharply in the second quarter, but slipped again in the course of the third quarter and were still above the previous year's level on average for the fiscal year. This partly offset the volume decline and lower byproduct sales revenues.

After a lower result at the beginning of the fiscal year and a sharply improved result in the second quarter, the result increase slowed in the third quarter. Despite lower sales volumes, the result improved noticeably to € 79 (70) million after nine months, driven especially by the recovery in ethanol sales revenues. Lower raw material costs also contributed and were able to partly offset byproduct sales revenues, which also declined.

Investments in fixed assets

In the first nine months, investments in the CropEnergies segment totaled € 19 (20) million and related at all sites mainly for replacements of capital equipment throughout the entire production process such as heat exchangers, pumps and dryers. In addition, the focus was on measures to increase plant availability and reliability. The topic of fire and explosion protection is also prioritized across the locations. The plant to increase the flexibility of raw material use was successfully started up in Zeitz, Germany. The CO_2 liquefaction plant in Wanze, Belgium is under construction.

FRUIT SEGMENT

Markets

Target markets

Global growth in the primary target market, fruit yogurt, has been negatively impacted by the corona pandemic, but only slightly. Current forecasts by Euromonitor indicate a global growth rate for yogurt of 1.8 % in 2020. This is 0.5 percentage points below forecast growth rates prior to the corona pandemic.

European demand for apple juice concentrate continued to be solid in spring 2020 and was met by product from the 2019 harvest.

Contracts have already been signed with customers for the majority of the berry juice concentrates from the 2020 harvest. The market environment was extremely challenging, especially for cherries and raspberries, which led to lower margins than the year prior. Customers were also very defensive and hesitant with their coverage contracts.

Raw material markets

The fruit preparations division procured around 304,000 tonnes of raw materials during the reporting period.

Contracts for the globally required volume of strawberries, the most important fruit volume-wise, were signed at slightly higher prices than last year. The higher prices were mainly due to lower raw material volumes due to processing capacity restrictions in connection with the corona pandemic in Morocco, Egypt and Spain, together with reduced harvest volumes in Mexico.

Raspberry harvest yields in Serbia, Poland and Ukraine were below average and prices about 5 % higher than last year as a result. European blueberry prices were about the same as last year, while prices for Canadian blueberries were up significantly due to ongoing drought throughout the summer months and strong demand from the fresh fruit market.

Excellent sour cherry harvests in Poland, Serbia and Ukraine drove prices down about – 35 % from last year's high level.

Due to the corona pandemic, there was significantly less mango purée available from India and prices were consequently 12 % higher than last year.

The fruit juice concentrates division's 2020 red berry juice processing season is almost finished. Overall, raw material prices, especially for red berries, were significantly higher than last year.

The 2020 harvest for the fruit juice concentrates division's primary fruit, apples, was significantly weaker than expected. In Poland and due to a spring frost in Hungary, volumes for industrial processing were only available at last year's low level. In China, apple deliveries were accepted as early as the beginning of August. Raw material availability was satisfactory.

Business performance

Revenues and operating result

The fruit segment reported revenues of € 892 (889) million, comparable to last year. While fruit preparations revenues were stable overall, higher sales revenues due to the harvest drove revenues for fruit juice concentrates higher, even though sales volumes were lower.

Despite a significant improvement in the third quarter, the operating result dropped to € 42 (46) million during the reporting period because of weak growth at the beginning of the fiscal year. Slightly lower fruit preparations volumes and margins were more than offset by cost savings. Fruit juice concentrates margins were down despite higher sales revenues driven by higher raw material prices from the 2019 harvest. Lower sales volumes also weighed heavily on the result.

Investments in fixed assets

Most of the € 15 (30) million invested by the fruit segment was in the fruit preparations division. In addition to replacement and maintenance investments, capacity expansions, such as the installation of an additional production line each at the fruit preparations factories in Central Mangrove, Australia and in Lysander, New York, continued. The fruit juice concentrates division invested in replacements and production optimizations. Noteworthy investments include for instance a new head tank in Kröllendorf, Austria to improve water supply. Investments in the new business field of basic ingredients and aroma production business were completed.

Business performance – Fruit segment

		3rd quarter			1st–3rd quarter		
		2020/21	2019/20	+/– in %	2020/21	2019/20	+/– in %
Revenues	€ million	**290**	**294**	**–1.3**	**892**	**889**	**0.3**
EBITDA	€ million	24	22	4.5	73	78	–5.3
Depreciation on fixed assets and intangible assets	€ million	–12	–12	–5.7	–31	–32	–0.9
Operating result	€ million	**12**	**10**	**17.3**	**42**	**46**	**–8.3**
Result from restructuring / special items	€ million	–1	0	–	–1	0	–
Result from companies consolidated at equity	€ million	0	0	–	0	0	–
Result from operations	€ million	**11**	**10**	**14.3**	**41**	**46**	**–10.0**
EBITDA margin	%	8.0	7.5		8.2	8.7	
Operating margin	%	4.0	3.3		4.7	5.2	
Investments in fixed assets [1]	€ million	4	9	–52.2	15	30	–50.8
Investments in financial assets / acquisitions	€ million	0	0	–	0	1	–80.0
Total investments	€ million	**4**	**9**	**–52.2**	**15**	**31**	**–51.3**
Shares in companies consolidated at equity	€ million				0	0	–
Capital employed	€ million				932	936	–0.4
Employees					**5,195**	**5,462**	**–4.9**

[1] Including intangible assets.

TABLE 10

OUTLOOK

Group

Given the materializing risks in the sugar segment and the Europe-wide second lockdown on 14 December 2020, Südzucker adjusted its forecast. The company now expects consolidated group revenues at € 6.6 to 6.8 (previous forecast: 6.9 to 7.2; previous year: 6.7) billion in fiscal 2020/21. A slight decline in revenues is anticipated in the sugar segment. We see the special products and fruit segment's revenues to rise slightly. The CropEnergies segment we expect ranging between € 765 and 795 million.

We expect consolidated group operating result ranging between € 190 and 240 (previous forecast: 300 to 400; previous year: 116) million. The sugar segment's operating result is expected in a range between € –150 and –110 million. We expect the special products segments' result to decline slightly. CropEnergies' operating result is expected in a range between € 95 and 110 million. The fruit segment's result is anticipated to be at the previous year's level.

We expect capital employed to remain at last year's level. Based on the considerable improvement of the operating result, we estimate ROCE to be significantly higher (previous year: 1.8 %).

The ongoing corona pandemic and the associated high volatility in all segments continues to make the forecast for the remaining part of the full 2020/21 year and beyond uncertain.

Sugar segment

On the world market, despite the effects of the corona pandemic, a deficit of several million tonnes is still expected for the expired 2019/20 sugar marketing year as well as for the current 2020/21 sugar marketing year, and thus a reduction in inventories. In Europe, smaller cultivation areas and renewed dry weather conditions in important cultivation regions along with more serious pest infestations will again lead to significantly reduced sugar production. As a result, the EU will again be a net importer in sugar marketing year 2020/21. World market prices declined due to the market distortions in crude oil and currencies of emerging markets such as Brazil. Temporary signs of price recovery on the world market have since repeatedly fizzled due to renewed lockdown situations worldwide.

Accordingly, we were unable to achieve the targeted price increase in full, either for the volumes contracted to date or for those still open. As a result of the poor sugar beet harvests in 2019 and 2020, the plant shutdowns after the 2019 campaign and the overall lower demand caused by the corona pandemic, we expect a sharper decline in sales volumes than previously forecast. The higher price level and initial material cost savings from the restructuring plan will be consumed by higher raw material costs and significantly higher production costs from the reduced factory loading due to the recent further deterioration in harvest expectations in 2020.

Overall, we now expect slightly lower revenues (previous forecast: slight increase; previous year: € 2.3 billion).

The sugar segment operating result is now expected to range between € –150 and –110 (previous forecast: –100 to –50; previous year: –236) million. We continue to expect the second half year result to improve significantly compared to the same period last year, but this will be much less substantial than previously assumed.

Uncertainties continue to exist surrounding the extent sales revenues can be increased for the still outstanding contract volumes, further volume growth in the corona pandemic environment and the final capacity loading of the current campaign due to the continued drought and stronger pest infestation in some cultivation regions.

Special products segment

We expect the special products segment's production and sales volumes to rise further. Against the background of the weaker development in the third quarter, we now expect a slight increase in revenues and a slight decrease in operating result with an increase in depreciation (previous forecast: moderate increase in revenues and operating result; previous year: revenues € 2.4 billion; operating result € 190 million).

The negative effects of the renewed lockdown across Europe were seen as early as mid-October 2020. As a result, the special products segment also faces corona pandemic related uncertainties for the last three months of fiscal 2020/21 in regard to further volume, sales revenue and raw material cost developments.

CropEnergies segment

Corona related distortions in fuel demand due to mobility restrictions and the associated temporary increased volatility in ethanol prices have led to quite different quarterly results, but overall to a significant operating result improvement in the first nine months. Still, CropEnergies had to adjust its forecast on 14 December 2020 given the renewed lockdowns across Europe, which began to have a negative impact as early as mid-October.

For fiscal 2020/21, we now expect revenues to range between € 765 and 795 million (previous forecast: 790 to 840; previous year: 819) million. We now expect the operating result to range between € 95 and 110 million (previous forecast: 110 to 140; previous year: 104) million and thus at the level of last year's record result.

It is very difficult at this point in time to estimate the extent to which the fourth quarter of fiscal 2020/21 will be impacted by the tightened lockdowns.

Fruit segment

We now anticipate a slight increase in revenues for the fruit segment in fiscal 2020/21 (previous forecast: moderate increase; previous year: € 1.2 billion) and operating result at the previous year's level (previous forecast: moderate increase; previous year: € 58 million).

Despite the negative effects of the corona pandemic situation, the fruit preparations division expects revenues to remain stable. Results are forecast to be higher, driven by higher margins and lower cost increases than in 2019/20. The fruit juice concentrates division expects significantly higher revenues, but results to deteriorate sharply because of lower margins in the fruit juice concentrates division and lower beverage bases volumes.

The fruit segment's global production plants continue to make forecasting particularly difficult against the backdrop of the corona pandemic and the associated uncertainties.

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 2019/20 annual report on pages 92 to 101 presents an overview on the risks. Taking into account all known facts, we have not identified any risks – whether individual or in their entirety - that jeopardize the continued existence of the Südzucker Group.

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

On this report

This quarterly statement was not reviewed or audited. It was prepared by Südzucker AG's executive board on 30 December 2020.

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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