# Contact

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**Forward-looking statements and forecasts**

This quarterly statement contains forward-looking statements. These statements are based on current estimations and forecasts of the executive board and information currently available to it. The forward-looking statements are not guarantees of the future developments and results mentioned therein. Rather, the future developments and results depend on a number of factors, entail various risks and imponderables and are based on assumptions that may not prove to be accurate. The "Risk and opportunities report" on pages 58 to 66 of the 2018/19 Annual Report provides an overview of the risks. We do not accept any obligation to update the forward-looking statements made in this statement.



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Financial Year 2019/20

# QUARTERLY STATEMENT

**1st Quarter**
1 March to 31 May 2019

Mannheim, 10 July 2019

SÜDZUCKER GROUP

The figures stated in brackets on the following pages refer to the same period or point in time in the previous year.

CropEnergies AG's financial year differs from the calendar year. The 1st quarter relates to the period from 1 March to 31 May.

The interim report is also available in German. This English translation is provided for convenience only and should not be relied upon exclusively. The German version of the interim report is definitive and takes precedence over this translation.



# Contents

# Highlights

## 1st Quarter 2019/20

| | |
|---|---|
| ■ Revenues up to € 202.7 (192.5) million | € +10 million |
| ■ EBITDA grows to € 25.8 (14.3) million | € +12 million |
| ■ Operating profit increases to € 15.2 (4.6) million | € +11 million |
| ■ Net earnings in 1st quarter reach € 10.6 (2.4) million | € + 8 million |
| ■ Ethanol production decreases to 208,000 (257,000) m³ | -19% |
| ■ Net financial assets of € 37 million (as of 28 February 2019: € 27* million) | |

# Outlook for the 2019/20 financial year

- Revenues are expected to range between € 820 and € 900 million (previous expectation: between € 800 and € 900 million)
- Operating profit is expected to range between € 30 and € 70 million (previous expectation: between € 20 and € 70 million)
- This is equivalent to an EBITDA of between € 70 and € 115 million (previous expectation: between € 60 and € 115 million)

# Main events

## Operating environment

### Current framework in the EU

In the EU, the "Renewable Energy Directive" and the "Fuel Quality Directive" are setting the course for more climate protection in the transport sector. The proportion of renewable energies in 2020 is set to increase to 10%, with renewable fuels from arable crops being able to account for up to 7%. Fuels from wastes and residues as well as renewable electricity used in rail and road transport are to close the remaining gap. In addition, renewable fuels are to make a significant contribution to reducing greenhouse gas emissions associated with fuel consumption by 6 wt.-% compared with the base value of 94.1 g $CO_{2eq}$/MJ by the year 2020. Whereas a litre of petrol causes around 3 kg $CO_{2eq}$, this value falls to no more than 0.5 kg $CO_{2eq}$/ litre on average in the case of European ethanol.

### "Renewable Energy Directive" after 2020

The recast "Renewable Energy Directive" provides for the proportion of renewable energies in the transport sector to increase to at least 14% for the period after 2020. The contribution of renewable fuels from arable crops should be able to remain up to one percentage point above the level reached in 2020. The proportion of fuels from wastes and residues is to rise from 0.2% in 2022 to at least 3.5% in 2030. In addition, these fuels, as well as renewable electricity, can be counted multiple times towards the transport target in road transport. The follow-on regulation ensures that sustainably produced renewable fuels can continue to contribute to climate protection.

*Including adjustment in accordance with IFRS 16

**"Climate Protection Regulation"**

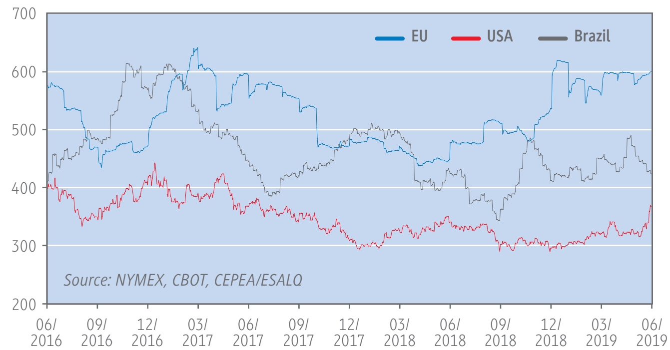
In addition to promoting an increased use of renewable energies, the EU is seeking, by means of the "Climate Protection Regulation", to lower greenhouse gas emissions in those sectors not covered by the EU emissions trading scheme by 30% by the year 2030. This "non-ETS area" includes not only buildings, agriculture, waste management and smaller industrial installations, but also transport, in particular. National reduction targets have been defined owing to regional differences within the EU. Germany, for example, is expected to achieve an emissions reduction target of 38% by 2030.

In order to achieve the target, effective measures for limiting emissions at national level have to be implemented. Climate protection legislation that aims to enshrine in law the federal government's sector targets defined in the 2050 Climate Protection Plan is currently being discussed in Germany. A reduction in greenhouse gas emissions to no more than 98 million tonnes $CO_{2eq}$ by 2030 is planned for the transport sector. This is equivalent to a reduction of more than 60 million tonnes or around 40% compared with 2018. Renewable fuels can contribute to lowering greenhouse gas emissions to a large extent. In this connection, the German ethanol industry proposes raising the greenhouse gas reduction quota gradually from 6 wt.-% in 2020 to 16 wt.-% by 2030. This would ensure that less carbon-intensive fuels are used and that the fuel sector thereby makes its contribution to achieving the 2030 climate targets.

**Ethanol markets**

In the **USA**, the one-month futures contract for ethanol on the Chicago Board of Trade (CBOT) rose from the equivalent of around € 310/m³ to € 360/m³ in the 1st quarter of 2019/20. Higher maize prices in the USA provide the backdrop for the price increase now that it has become apparent that this year's maize growing area in the Midwest will be smaller than in the previous year due to extensive flooding. Despite this, the USA continues to produce more ethanol than is consumed domestically. By the end of May 2019, the production surplus already totalled 2.8 (3.5) million m³. Ethanol production is expected to remain at the previous year's level at 62.2 (62.4) million m³ in the 2019 calendar year. Domestic consumption is expected to rise from 56.1 to 56.9 million m³. Although exports, at 6.8 (7.3) million m³, are consequently not expected to reach the previous year's record, they will remain at a very high level.

**International ethanol prices (€/m³)**



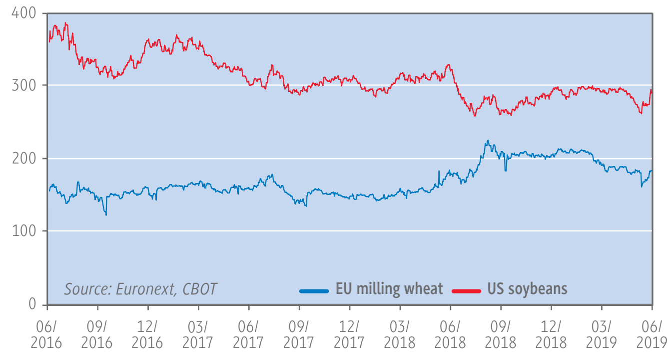

In **Brazil**, ethanol prices fell from the equivalent of € 445/m³ at the beginning of March 2019 to € 415/m³ at the end of May 2019. In the current 2019/20 sugar year, ethanol production is expected to amount to 32.5 (33.1) million m³ and hence to be virtually the same as domestic consumption of 32.7 (32.5) million m³. In view of a largely balanced supply situation, no significant net exports from Brazil are expected.

Ethanol prices in **Europe** increased in the 1st quarter of 2019/20 from € 555/m$^3$ to around € 595/m$^3$, with spot prices even going beyond the € 600/m$^3$ mark in the interim. Robust demand at the same time as moderate import activities contributed to the increase in prices. 0.7 (0.6) million m$^3$ of ethanol is expected to be imported in 2019. This increase is also likely to be related to the discontinuation of the anti-dumping duty on ethanol imports from the USA in effect since 16 May 2019. Imports are contrasted by domestic production of 7.6 (7.7) million m$^3$ and domestic consumption of 8.0 (8.0) million m$^3$. Production of fuel ethanol, at 5.2 (5.3) million m$^3$, is expected to fall slightly behind consumption of 5.4 (5.4) million m$^3$.

### Grain and protein markets

According to the International Grain Council (IGC), world grain production (excluding rice) is expected to increase to 2,177 (2,138) million tonnes in 2019/20. Given anticipated grain consumption of 2,192 (2,166) million tonnes, a decline in stocks to 602 (617) million tonnes is expected. The European Commission expects the grain harvest in the EU to increase to 311 (290) million tonnes in 2019/20. Consumption is expected to remain unchanged at 287 (287) million tonnes. The good harvest prospects in Europe resulted in European wheat prices on the Euronext in Paris hovering largely around the € 185 €/tonne mark in the 1st quarter of 2019/20. Even though this is equivalent to a rise of almost € 20/tonne compared with the same quarter in the previous year, wheat prices fell by around € 20/tonne compared with the 4th quarter of 2018/19.

**International agricultural prices (€/t)**




Animal feed products, with a share of more than 60%, continue to account for the majority of domestic grain consumption. The starch content of merely around 4% of the EU grain harvest, on the other hand, is used for the production of fuel ethanol. The other components of the processed grain, particularly proteins, are refined into valuable food and animal feed products, thereby reducing dependence on soy imports from North and South America.

The global soybean harvest in 2019/20 is expected to be below the previous year's record level, at 358 (363) million tonnes. Given consumption of 359 (352) million tonnes, stocks are expected to decline to 53 (54) million tonnes. However, as a result of availability and stock levels remaining high, the one-month soybean futures contract on the CBOT closed, on 10 May 2019, below US$ 8/bushel* for the first time since December 2008. The soybean price recovered to US$ 8.78/bushel by the end of May 2019. Converted to euro, this was equivalent to around € 289/tonne. European rapeseed meal prices followed this trend. Initially, a 10% decline in prices to around € 200/tonne was observable up to mid-May 2019. Rapeseed meal prices recovered again in the remainder of the month, standing at around € 210/tonne.



*A bushel of soybeans is equivalent to 27.216 kg of soybeans.

## Business development

### Production of ethanol and food and animal feed products

In its modern biorefineries in Belgium, Germany, France and the United Kingdom, CropEnergies mainly produces renewable ethanol and protein-rich food and animal feed products. Ethanol production stood at 208,000 (257,000) m³ in the first three months of the 2019/20 financial year. The decline in production is due to the fact that the plant in Wilton was operated at reduced capacity for the local market. Maintenance activities at other sites likewise resulted in lower capacity utilisation. This also meant that there was a decrease in the production of dried food and animal feed products.

### Revenues and net earnings

| € thousands | 1st quarter | |
|---|---|---|
| | 2019/20 | 2018/19 |
| **Revenues** | **202,735** | **192,454** |
| **EBITDA*** | **25,818** | **14,299** |
| *EBITDA margin in %* | *12.7%* | *7.4%* |
| Depreciation* | -10,656 | -9,719 |
| **Operating profit** | **15,162** | **4,580** |
| *Operating margin in %* | *7.5%* | *2.4%* |
| Restructuring costs and special items | 0 | 0 |
| Income from companies consolidated at equity | -68 | -47 |
| **Income from operations** | **15,094** | **4,533** |
| Financial result | -116 | -351 |
| **Earnings before income taxes** | **14,978** | **4,182** |
| Taxes on income | -4,344 | -1,748 |
| **Net earnings for the period** | **10,634** | **2,434** |
| | | |
| **Earnings per share, diluted / undiluted (€)** | **0.12** | **0.03** |

* Without restructuring costs and special items

Revenues increased to € 202.7 (192.5) in the 1st quarter, with net earnings improving significantly. This was mainly due to a striking increase in ethanol sales prices and slightly higher average prices for food and animal feed products. Production volumes declined as a result of lower capacity utilisation.

In consideration of higher raw material prices, EBITDA improved to € 25.8 (14.3) million. Depreciation rose to € 10.7 (9.7) million due to the first-time adoption of IFRS 16.

Overall, operating profit was more than tripled to € 15.2 (4.6) million. Based on revenues, this gives rise to an operating margin of 7.5% (2.4%). As in the same period in the previous year, there were no special items. Income from operating activities, at € 15.1 (4.5) million, is therefore virtually the same as operating profit.

Aided by a likewise improved financial result, earnings before income taxes amount to € 15.0 (4.2) million. After taxes, net earnings of € 10.6 (2.4) million were achieved in the 1st quarter of 2019/20. Based on 87.25 million no-par-value shares, that translates into earnings per share of € 0.12 (0.03).

## Statement of changes in financial position

| € thousands | 1st quarter | |
|---|---|---|
| | 2019/20 | 2018/19 |
| **Gross cash flow** | **20,789** | **12,336** |
| Change in net working capital | -5,977 | -6,615 |
| **Net cash flow from operating activities** | **14,812** | **5,721** |
| Investments in property, plant and equipment and intangible assets | -4,549 | -1,976 |
| Cash paid/received on disposal of non-current assets | -3 | 22 |
| **Cash flow from investing activities** | **-4,552** | **-1,954** |
| **Cash flow from financing activities** | **4,525** | **-27,000** |
| Change in cash and cash equivalents due to exchange rate changes | 265 | 45 |
| **Increase (+) / Decrease (-) in cash and cash equivalents** | **15,050** | **-23,188** |

As a result of the higher EBITDA, gross cash flow increased to € 20.8 (12.3) million. Including changes in net working capital, cash flow from operating activities in the 1st quarter of the 2019/20 financial year amounted to € 14.8 (5.7) million.

Cash outflow from investing activities increased to € 4.6 (2.0) million, almost entirely attributable to investments in property, plant and equipment. The investments were used, in particular, to expand and improve the production plants.

Current financial receivables declined by € 4.5 million in the 1st quarter of the 2019/20 financial year. The repayment of lease liabilities of € 1.0 (0) million and the increase in financial liabilities of € 1.0 (0) million gave rise to a net cash inflow (prior year: cash outflow) from financing activities of € 4.5 (-27.0) million.



## Assets and liabilities

The application of standard IFRS 16 became mandatory for the first time from 1 March 2019. IFRS 16 provides new specifications on how to recognise, measure and present leases.

The change in property, plant and equipment as of 31 May 2019 was therefore mainly due, in addition to investments and depreciation, to the capitalisation of long-term rights to use property, plant and equipment as leases amounting to € 9.9 million.

Accordingly, non-current financial liabilities as of 31 May 2019 show a balance of € 6.8 million and current financial liabilities one of € 3.1 million as a result of being recognised as lease liabilities in the context of the first-time adoption of IFRS 16.

As of 31 May 2019, a discount rate of 1.90% was used as a basis for major pension plans when calculating the provisions for pensions and similar obligations; as of 28 February 2019 and 31 May 2018, respectively, the discount rate was based on 2.20% and 2.36%.

## Balance sheet

| € thousands | 31 May 2019 | 31 May 2018 | Change | 28 February 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets | 8,709 | 9,285 | -576 | 8,864 |
| Property, plant and equipment | 371,792 | 385,739 | -13,947 | 368,600 |
| Shares in companies consolidated at equity | 2,003 | 1,835 | 168 | 2,071 |
| Receivables and other assets | 39 | 38 | 1 | 39 |
| Deferred tax assets | 3,084 | 2,462 | 622 | 3,096 |
| **Non-current assets** | **385,627** | **399,359** | **-13,732** | **382,670** |
| Inventories | 72,719 | 69,069 | 3,650 | 78,728 |
| Current financial receivables | 29,500 | 27,000 | 2,500 | 34,000 |
| Trade receivables and other assets | 98,943 | 76,705 | 22,238 | 79,983 |
| Current tax receivables | 7,644 | 6,749 | 895 | 7,554 |
| Cash and cash equivalents | 17,863 | 13,686 | 4,177 | 2,813 |
| **Current assets** | **226,669** | **193,209** | **33,460** | **203,078** |
| **Total assets** | **612,296** | **592,568** | **19,728** | **585,748** |

| | | | | |
|---|---|---|---|---|
| **Liabilities and shareholders' equity** | | | | |
| Subscribed capital | 87,250 | 87,250 | 0 | 87,250 |
| Capital reserves | 197,847 | 197,847 | 0 | 197,847 |
| Other reserves and other comprehensive income | 166,883 | 166,882 | 1 | 163,614 |
| **Shareholders' equity** | **451,980** | **451,979** | **1** | **448,711** |
| Provisions for pensions and similar obligations | 27,070 | 22,057 | 5,013 | 24,227 |
| Other provisions | 2,433 | 2,334 | 99 | 2,514 |
| Non-current financial liabilities | 6,775 | 0 | 6,775 | 0 |
| Other liabilities | 64 | 199 | -135 | 85 |
| Deferred tax liabilities | 19,372 | 23,735 | -4,363 | 21,669 |
| **Non-current liabilities** | **55,714** | **48,325** | **7,389** | **48,495** |
| Other provisions | 6,205 | 15,154 | -8,949 | 9,138 |
| Current financial liabilities | 4,087 | 0 | 4,087 | 0 |
| Trade payables and other liabilities | 85,321 | 65,690 | 19,631 | 65,583 |
| Current tax liabilities | 8,989 | 11,420 | -2,431 | 13,821 |
| **Current liabilities** | **104,602** | **92,264** | **12,338** | **88,542** |
| **Total liabilities and shareholders' equity** | **612,296** | **592,568** | **19,728** | **585,748** |
| Net financial assets | 36,501 | 40,686 | -4,185 | 36,813 |
| Equity ratio | 73.8% | 76.3% | | 76.6% |

## Income statement

| € thousands | 1st quarter | |
|---|---|---|
| | 2019/20 | 2018/19 |
| **Revenues** | **202,735** | **192,454** |
| Change in work in progress and finished goods inventories and internal costs capitalised | -4,885 | -1,240 |
| Other operating income | 1,063 | 733 |
| Cost of materials | -151,588 | -153,745 |
| Personnel expenses | -9,058 | -8,734 |
| Depreciation | -10,656 | -9,719 |
| Other operating expenses | -12,449 | -15,169 |
| Income from companies consolidated at equity | -68 | -47 |
| **Income from operations** | **15,094** | **4,533** |
| Financial income | 278 | 37 |
| Financial expenses | -394 | -388 |
| **Earnings before income taxes** | **14,978** | **4,182** |
| Taxes on income | -4,344 | -1,748 |
| **Net earnings for the period** | **10,634** | **2,434** |
| **Earnings per share, diluted/undiluted (€)** | **0.12** | **0.03** |

## Risk and opportunities report

CropEnergies uses an integrated system for the early detection and monitoring of group-specific risks. The successful treatment of risks is based on achieving a balanced relationship between return and risks. The company's risk culture is characterised by risk-conscious conduct, clearly defined responsibilities, independence during risk controlling and the implementation of internal controls.

There are no risks posing a threat to the company's continued existence and there are none discernible at the present time.

For detailed information on the risk management system and the group's risks and opportunities, please refer to the "Risk and opportunities report" on pages 58 to 66 of the Annual Report for the 2018/19 financial year. Allowing for the previously explained developments at regulatory level, the disclosures provided there are still valid.



## Outlook

CropEnergies started the 2019/20 financial year with a strong 1st quarter. The main reason for this was the striking increase in ethanol sales prices. In addition, slightly higher sales prices were obtained for the food and animal feed products produced. On a yearly average, slightly higher ethanol prices are expected compared with the previous year.

Revenues of between € 820 and € 900 million and operating profit of between € 30 and € 70 million are expected for the 2019/20 financial year. This is equivalent to an EBITDA of between € 70 and € 115 million.

## Financial calendar

| | |
|---|---|
| ■ Annual General Meeting 2019 | 16 July 2019 |
| ■ Report for the 1st half of 2019/20 | 9 October 2019 |
| ■ Statement for the 1st – 3rd quarter of 2019/20 | 13 January 2020 |
| ■ Annual press and analysts' conference for the 2019/20 financial year | 13 May 2020 |
| ■ Statement for the 1st quarter of 2020/21 | 8 July 2020 |
| ■ Annual General Meeting 2020 | 14 July 2020 |