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cropenergies
Innovation from Biomass

Financial Year 2022/23

QUARTERLY STATEMENT

1st Quarter
1 March to 31 May 2022

Mannheim, 6 July 2022

SÜDZUCKER GROUP

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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.

HIGHLIGHTS 1ST QUARTER 2022/23

- Revenues up to € 398.9 (214.1) million € +185 million
- EBITDA grows to € 97.8 (25.5) million € +72 million
- Operating profit increases significantly to € 87.2 (15.1) million € +72 million
- Net earnings reach € 64.9 (10.1) million € +55 million
- Ethanol production rises to 281,000 (235,000) m³ +19%
- Net financial assets increase significantly to € 332 million (as of 28 February 2022: € 230 million)

OUTLOOK FOR THE 2022/23 FINANCIAL YEAR INCREASED*

- CropEnergies now expects revenues in the 2022/23 financial year to range between € 1.45 and € 1.55 billion (previous expectation: between € 1.35 and € 1.45 billion).
- Operating profit is expected to range between € 165 and € 215 million (previous expectation: between € 105 and € 155 million).
- This is equivalent to an EBITDA of between € 205 and € 255 million (previous expectation: between € 145 and € 195 million).

* Cf. insider information in accordance with Article 17 MAR of 15 June 2022

MAIN EVENTS

Operating environment

European Green Deal

The EU intends to lower greenhouse gas (GHG) emissions by at least 55% by the year 2030. In the context of the European Green Deal, the EU is also seeking to achieve climate neutrality by the year 2050. To achieve its 2030 climate target, the European Commission presented a comprehensive package of proposals on 14 July 2021 aimed at adapting the EU's climate and energy policy. The so-called "Fit for 55" package contains, among other things, proposals for amending the "Renewable Energy Directive" and taxing energy products. Furthermore, a separate CO_2 trading system is to be introduced for motor and heating fuels by 2026. The aim is to reduce fuel-related GHG emissions by 43% compared with 2005 by the year 2030. Further proposals relate, among other things, to the specification of CO_2 upper limits for the approval of new vehicles.

"Renewable Energy Directive"

The "Renewable Energy Directive" (RED II) recast in 2018 provides for the proportion of renewable energies in the transport sector to increase to at least 14% in the year 2030. This target does not, however, ensure that renewable energies in the transport sector will make a sufficient contribution to the European Green Deal. In the context of the "Fit for 55" package, the European Commission has therefore proposed a paradigm shift, according to which the energy blending target for renewable energies in the transport sector is to be replaced by a GHG reduction target of 13%. In the wake of the change of system, multiple counting for, say, renewable fuels from wastes and residues or renewable electricity is also to be abolished. The proportion of renewable fuels from arable crops in the member states should be able to remain up to one percentage point above the level reached in 2020, the maximum, however, being 7%. The proportion of fuels from wastes and residues is to rise from 0.2% in 2022 to at least 2.2% in 2030. There is to be new binding blending for synthetic fuels, the proportion of which is to be at least 2.6% in 2030.

Other Green Deal proposals consist in providing a better fit between taxation of energy products and the EU's climate and energy policy by applying tax rates to the energy content of fuels and their environmental impact in future. Separate trading for fossil CO_2 emissions from fuels is to be established by 2026. Energy- and CO_2-oriented pricing of fuels is broadly in line with demands that the European ethanol industry has been making for a number of years.

By contrast, the industry rejects the European Commission's proposal for specifying CO_2 emission standards for passenger cars and light commercial vehicles. The reason being that the proposal that the average annual emissions of new vehicles should be 55% lower than 2021 from 2030 and by as much as 100% lower from 2035 is equivalent to a de facto ban on new vehicles with an internal combustion engine from 2035 at the latest. This proposal is a clear breach of the principle of technology neutrality, as only vehicle exhaust pipe emissions are to continue to be taken into consideration. Consequently, life cycle emissions of vehicles without local emissions, such as electric cars, are ignored. For example, it factors in neither GHG emissions from the manufacture of the batteries nor those from the charging current used. Despite these reservations about the European Commission's proposal, the European Parliament and the EU member states in the Council agreed on June 8 and 29, 2022, respectively, to a virtual ban on new vehicles with internal combustion engines from 2035 onwards. It now remains to be seen how the final agreement between Parliament and Council will work out. However, it is already to be feared that the regulation will not be open to all kinds of technology and hence take account of the fact that different drive and fuel options will still be needed for a long time to be able to achieve the climate targets in the transport sector and meet the various mobility needs.

Germany

While a renewed increase in targets for renewable energies is being discussed at EU level, the current version of RED II has been transposed into national law. Lawmakers in Germany have decided to raise the GHG reduction quota gradually from 6% in 2021 to 25% in 2030, an initial step being taken with the increase to 7% as of 1 January 2022. The energy component of renewable fuels from arable crops is to contribute up to 4.4% to this. The proportion of advanced biofuels is to be increased gradually to 2.6% in 2030. In addition to the established biofuels, other renewable fuel alternatives are to be promoted. These include synthetic fuels, which are counted double towards the GHG quota, and renewable electricity, which is counted three times towards it. The fuel ethanol used in Germany showed greenhouse gas emissions of merely 7.44 g CO_{2eq}/MJ and hence less than 200 g CO_{2eq}/litre of ethanol in 2020. This is equivalent to a 92% saving in greenhouse gases, across the entire value chain from raw material production through to use in a vehicle.

War in Ukraine – food-fuel debate

On 24 February 2022, Russia started a war of aggression contrary to international law by launching a large-scale invasion of Ukraine. The war between Russia and Ukraine is having a major impact on political and economic life, so much so that there is talk in many places of a turning point in history. CropEnergies faces major challenges both on the raw material and energy markets and on the sales markets for ethanol as well as food and animal feed products. Owing to its established and proven risk management system, CropEnergies considers itself well positioned to deal with market risks.

Furthermore, in view of the high importance of Ukraine and Russia as grain exporters and the increase in grain prices, there has been a resurgence of the "food-fuel" debate, particularly in Germany. This is being driven by an anti-biofuel campaign by several environmental associations, which have used the war as an opportunity to reintroduce into the political debate accusations against biofuels from arable crops that have been refuted for years. Parts of the federal government have taken up the associated demand for a reduction in the use of biofuels from arable crops and argued for a change in the current greenhouse gas reduction quota, despite the fact that the statutory regulations were revised only at the end of 2021 and the upper limits for biofuels from arable crops were already reduced from 6.5% to 4.4% with effect from 1 January 2022.

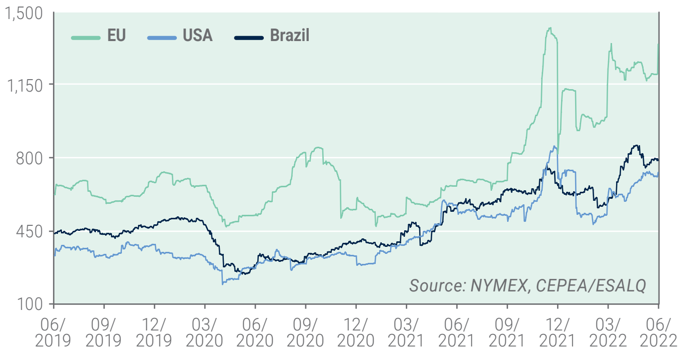
The German biofuel associations are against any changes to the current legal situation. The use of biofuels from arable crops in Germany and Europe has been shown to have no significant impact on international agricultural markets. This has already been asserted by the European Commission on several occasions in the past. It should also be noted that the competition between food and fuel broached in the public debate is a heavily truncated and fabricated dichotomy that has little to do with reality. Rather, the manufacture of renewable ethanol is based on the processing of lower-quality grain that is not intended for human consumption. Around 400 kg of protein-containing food and animal feed are produced from 1,000 kg of lower-quality grain. If biofuel production were to be stopped, there would be a lack of these sources of protein in Germany and Europe. The result would be an increasing demand for imports of protein-rich alternatives, which would further exacerbate the food crisis in vulnerable regions.

Differentiated approaches are required to handle complex crises such as the Ukraine crisis or the climate crisis. CropEnergies therefore flatly rejects truncated debates and demands of a rationally incomprehensible anti-biofuel campaign by environmental associations and parts of the federal government. Instead, CropEnergies is relying on a rational and factual debate, making the case for integrated concepts which take food and animal feed products, biodiversity and climate protection jointly into account. Europe's cutting-edge biorefineries for manufacturing ethanol, food and animal feed as well as other products are a prime example of this.

Ethanol markets

International ethanol prices remained at a high level in the 1st quarter of 2022/23. This is primarily attributable to the generally high raw material and energy costs which were further fuelled by Russia's invasion of Ukraine and the accompanying uncertainties.

International ethanol prices (€/m³)



Ethanol prices in the **USA** rose from the equivalent of around € 585/m³ to around € 680/m³ in the course of the 1st quarter of 2022/23. Production is expected to continue to increase to 60.4 (58.6) million m³ in 2022. Domestic consumption is also expected to increase slightly, albeit less sharply than production, and to stand at 54.8 (54.1) million m³. Accordingly, exports are expected to rise to 6.3 (5.7) million m³.

In **Brazil**, prices rose from the equivalent of around € 560/m³ to around € 755/m³ in the course of the 1st quarter of 2022/23. Following the decline in 2021/22, ethanol production in Brazil in the 2022/23 sugar year is expected to rise again to 32.0 (29.7) million m³. Domestic consumption is also expected to increase and to stand at 31.6 (28.0) million m³. As production and consumption are almost evenly balanced, no significant net exports from Brazil are expected.

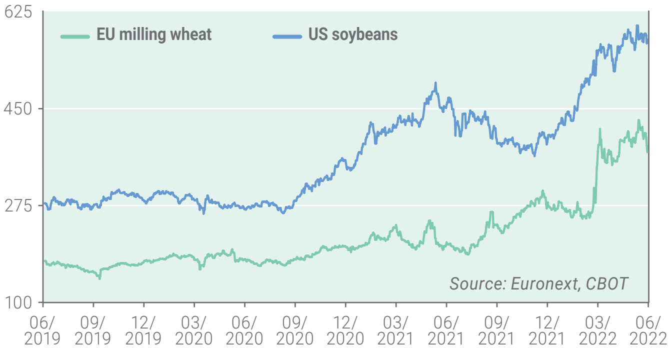
Ethanol prices in **Europe** recorded a significant price increase in the 1st quarter of 2022/23, standing, on average, at € 1,157 (590)/m³. Production in the EU-27 and the United Kingdom in 2022, at 7.7 (7.8) million m³, is expected to be slightly below the previous year's level. The decline in the anticipated production volume is mainly due to the war between Russia and Ukraine and the resulting increase in raw material and energy costs. Domestic consumption, on the other hand, is expected to increase to 9.0 (8.8) million m³. Consumption of ethanol for industrial applications and beverages is expected to remain at the previous year's level, at € 2.8 (2.8) million m³. Net imports are expected to rise to 1.5 (1.1) million m³.

Grain and protein markets

According to the International Grains Council (IGC), world grain production (excluding rice) is expected to decline to 2,251 (2,291) million tonnes in 2022/23. Grain consumption is also expected to decline to 2,279 (2,286) million tonnes. Consequently, global grain stocks, at 580 (607) million tonnes, are expected to be slightly lower than in the previous year. The European Commission expects the grain harvest in the EU-27 to increase to 294 (293) million tonnes in 2022/23. Consumption, on the other hand, is expected to be slightly below the previous year's level, at 258 (260) million tonnes. This decline is due not only to reduced use for animal feed products, but also to a reduction in the use of lower-quality wheat and feed grain in the biorefineries for manufacturing ethanol. As a result of a significant increase in exports to 54 (49) million tonnes, there is expected to be very little change in stocks, at 48 (48) million tonnes.

European wheat prices on the Euronext in Paris, whose starting level was already high, increased very sharply in the course of the 1st quarter of 2022/23 and ranged between around € 350/tonne and € 440/tonne. The high grain prices are due not so much to a shortage of grain but to great uncertainty about the further course of the war in Ukraine and the related logistics problems with grain export from the region.

International agricultural prices (€/t)



The global soybean harvest in 2022/23 is expected to reach a new record level, at 387 (349) million tonnes. Consumption is also expected to increase to a record level of 374 (358) million tonnes at the same time. Stocks are accordingly expected to rise to 58 (45) million tonnes. The one-month soybean futures contract in the USA also increased significantly, remaining at a very high level between around US$ 15.8/bushel* and US$ 17.5/bushel throughout the quarter, which was equivalent to between around € 530 and € 610/tonne. The listings for European rapeseed meal followed the international lead, rising at times to more than € 500/tonne. At the end of February, prices stood at around € 385/tonne. The 2022/23 rapeseed harvest in Europe is expected to increase slightly to € 18 (17) million tonnes.

* 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 produces renewable ethanol and protein-rich food and animal feed products. Ethanol production in the 1st quarter of 2022/23, at 281,000 (235,000) m^3, was above the previous year's level. Production of food and animal feed products also exceeded the previous year's level.

Revenues and net earnings

€ thousands	1st quarter	
	2022/23	2021/22
Revenues	**398,940**	**214,069**
EBITDA*	**97,797**	**25,461**
EBITDA margin in %	*24.5%*	*11.9%*
Depreciation*	-10,630	-10,384
Operating profit	**87,167**	**15,077**
Operating margin in %	*21.8%*	*7.0%*
Restructuring costs and special items	0	0
Income from companies consolidated at equity	70	-85
Income from operations	**87,237**	**14,992**
Financial result	457	-915
Earnings before income taxes	**87,694**	**14,077**
Taxes on income	-22,801	-3,941
Net earnings for the period	**64,893**	**10,136**
Earnings per share, diluted / undiluted (€)	**0.74**	**0.12**

* without restructuring costs and special items

CropEnergies recorded the highest quarterly revenues in the company's history in the 1st quarter, generating € 398.9 (214.1) million. This was due not only to a significantly higher sales volume for ethanol, but also, and in particular, to a significant increase in the sales prices obtained. The quantities and sales prices for protein-containing food and animal feed products mainly also reached a much higher level than in the previous year. As it was possible, at the same time, to limit the impact of the price increase on the markets for raw materials and energy by means of early price hedging, EBITDA reached a record level of € 97.8 (25.5) million.

Given slightly higher depreciation of € 10.6 (10.4) million, operating profit also multiplied to € 87.2 (15.1) million. This gives rise to a strikingly improved operating margin of 21.8% (7.0%). Since, as was also the case in the previous year, there were no special items, income from operations, at € 87.2 (15.0) million, is virtually the same as operating profit.

Unrealised currency effects led to the net financial result improving to € 0.5 (-0.9) million. This results in earnings before taxes of € 87.7 (14.1) million. After taxes, net earnings of € 64.9 (10.1) million were achieved in the 1st quarter of 2022/23. Based on 87.2 million time-weighted no-par-value shares, that translates into earnings per share of € 0.74 (0.12).

Statement of changes in financial position

€ thousands	1st quarter	
	2022/23	2021/22
Gross cash flow	**73,416**	**21,164**
Change in net working capital	35,118	12,899
Net cash flow from operating activities	**108,534**	**34,063**
Investments in property, plant and equipment and intangible assets	-4,241	-4,729
Investments in financial assets	-1,072	0
Cash received on divestments	0	168
Cash received on disposal of non-current assets	6	59
Increase in financial receivables	-126,700	-18,100
Payments into current financial investments	0	-2
Cash flow from investing activities	**-132,007**	**-22,604**
Purchase of own shares	-243	0
Repayment of lease liabilities	-1,229	-925
Change in other financial liabilities	11,189	-471
Cash flow from financing activities	**9,717**	**-1,396**
Change in cash and cash equivalents due to exchange rate changes	-160	29
Decrease (-) / Increase (+) in cash and cash equivalents	**-13,916**	**10,092**

As a result of the increase in EBITDA to € 97.8 (25.5) million, gross cash flow also increased to € 73.4 (21.2) million. Including the change in net working capital, net cash flow from operating activities in the 1st quarter of 2022/23 amounted to € 108.5 (34.1) million.

Cash outflow from investing activities rose to € 132.0 (22.6) million. € 4.2 (4.7) million of this was attributable to investments in property, plant and equipment and intangible assets, which were used, in particular, to expand and improve the production plants, with investments being made, in particular, in the new biomass boiler in Wanze, which will enable climate-neutral production. The investments in financial assets amounting to € 1.1 (0) million relate to the first tranche of acquisition of an equity interest in LXP Group GmbH. Furthermore, current financial receivables were increased by € 126.7 (18.1) million.

Payments for lease liabilities of € 1.2 (0.9) million, the acquisition of further own shares of € 0.2 (0) million and the change in other financial liabilities of € 11.2 (-0.5) million gave rise to a net cash inflow (cash outflow) from financing activities of € 9.7 (-1.4) million in the 1st quarter of 2022/23.

Assets and liabilities

As of 31 May 2022, a discount rate of 3.05% was used as a basis for major pension plans when calculating the provisions for pensions and similar obligations; as of 28 February 2022 and 31 May 2021, respectively, the discount rate was 1.98% and 1.80%.

Net financial assets increased significantly to € 331.6 (182.6) million. These include current financial receivables from Südzucker AG amounting to € 321.7 (161.8) million.

The green certificates (green electricity certificates) allocated by the government for the production of green electricity at the BioWanze site are recognised as a reduction of the cost of materials in the amount of their sales proceeds. The corresponding sales proceeds amounted to € 6.1 (6.1) million in the reporting period.

A further 20,000 own shares were acquired to service the share-based executive board compensation system in the 1st quarter of 2022/23. The acquisition costs of € 0.2 million attributable to this were offset against shareholders' equity.

In May 2022, CropEnergies acquired an equity interest in LXP Group GmbH, Teltow. CropEnergies secured just under 20% of the Brandenburg-based biotech start-up for a total of around € 2 million as part of a capital increase. LXP Group GmbH has developed a patented, energy-efficient process that enables gentle decomposition of lignocellular biomass, in particular residual and waste materials such as cuttings, as well as wood residues such as sawdust or straw. Advanced biofuels and bio-based chemicals can then be produced from the cellulose and hemicellulose that the biomass contains.

Balance sheet

€ thousands	31 May 2022	31 May 2021	Change	28 February 2022
Assets				
Intangible assets	7,422	7,717	-295	7,490
Property, plant and equipment	353,717	355,280	-1,563	359,734
Shares in companies consolidated at equity	2,852	2,453	399	2,781
Other Investments	1,072	0	1,072	0
Receivables and other assets	40	771	-731	41
Deferred tax assets	8,682	7,986	696	7,847
Non-current assets	**373,785**	**374,207**	**-422**	**377,893**
Inventories	119,252	64,503	54,749	107,952
Current financial receivables	321,700	161,800	159,900	195,000
Trade receivables and other assets	308,820	134,723	174,097	251,532
Current tax receivables	3,495	1,776	1,719	3,917
Securities	14,968	14,993	-25	14,968
Cash and cash equivalents	17,568	16,103	1,465	31,484
Current assets	**785,803**	**393,898**	**391,905**	**604,853**
Total assets	**1,159,588**	**768,105**	**391,483**	**982,746**
Liabilities and shareholders' equity				
Subscribed capital	87,250	87,250	0	87,250
Nominal value of treasury shares	-39	0	-39	-19
Capital reserves	197,847	197,847	0	197,847
Other reserves and other comprehensive income	522,797	293,263	229,534	411,341
Shareholders' equity	**807,855**	**578,360**	**229,495**	**696,419**
Provisions for pensions and similar obligations	25,547	29,600	-4,053	32,352
Other provisions	2,558	2,736	-178	2,459
Financial liabilities	7,319	6,791	528	6,980
Non-current tax liabilities	2,536	2,396	140	2,536
Deferred tax liabilities	39,324	20,399	18,925	25,755
Non-current liabilities	**77,284**	**61,922**	**15,362**	**70,082**
Other provisions	6,726	4,400	2,326	8,851
Financial liabilities	15,343	3,505	11,838	4,553
Trade payables and other liabilities	213,214	107,390	105,824	185,522
Current tax liabilities	39,166	12,528	26,638	17,319
Current liabilities	**274,449**	**127,823**	**146,626**	**216,245**
Total liabilities and shareholders' equity	**1,159,588**	**768,105**	**391,483**	**982,746**
Net financial assets	331,574	182,600	148,974	229,919
Equity ratio	69.7%	75.3%		70.9%

Income statement

€ thousands	1st quarter	
	2022/23	2021/22
Revenues	**398,940**	**214,069**
Change in work in progress and finished goods inventories and internal costs capitalised	-2,603	-3,578
Other operating income	8,320	1,735
Cost of materials	-277,148	-163,001
Personnel expenses	-11,205	-10,032
Depreciation	-10,630	-10,384
Other operating expenses	-18,507	-13,732
Income from companies consolidated at equity	70	-85
Income from operations	**87,237**	**14,992**
Financial result	457	-915
Earnings before income taxes	**87,694**	**14,077**
Taxes on income	-22,801	-3,941
Net earnings for the period	**64,893**	**10,136**
Earnings per share, diluted / undiluted (€)	**0.74**	**0.12**

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 67 to 79 of the Annual Report for the 2021/22 financial year. Allowing for the previously explained developments in the market environment and at regulatory level, the disclosures provided there are still valid.

Outlook

CropEnergies increased revenues to € 399 (214) million and operating profit to € 87.2 (15.1) million in the 1st quarter of 2022/23, with EBITDA improving to € 97.8 (25.5) million. The main reason for the extraordinarily good result was price hedging for raw materials and energy that had already been entered into prior to the start of the war in Ukraine and the associated sharp rise in raw material and energy prices. The positive impact on earnings of these early hedging positions will, however, weaken noticeably in the next few months.

CropEnergies expects a normalization of mobility behavior in the course of the financial year 2022/23. However, the impact of the Ukraine war on sales, energy and raw material markets remains difficult to assess. From today's perspective, CropEnergies generally assumes that sufficient energy and raw materials will be available for the production of renewable ethanol as well as food and animal feed products. In this context, CropEnergies also assume that the declaration of the gas emergency plan alert level in Germany will not have a significant negative impact on prices. Furthermore, it is expected that the EU member states will essentially maintain their blending targets for biofuels and that this will continue to enable high capacity utilization. In addition, CropEnergies assumes that increased energy and raw material costs can be at least partially offset by higher sales prices for ethanol as well as for food and animal feed products.

CropEnergies raised the forecast for the 2022/23 financial year on 15 June 2022. Revenues are expected to range between € 1.45 and € 1.55 billion (previous year: 1.08 billion) and operating profit between € 165 and € 215 million (previous year: € 127 million). This is equivalent to an EBITDA of between € 205 and € 255 million (previous year: € 169 million).

FINANCIAL CALENDAR

■ Annual General Meeting 2022	12 July 2022
■ Report for the 1st half of 2022/23	12 October 2022
■ Statement for the 1st to 3rd quarter of 2022/23	11 January 2023
■ Annual press and analysts' conference for the 2022/23 financial year	24 May 2023
■ Statement for the 1st quarter of 2023/24	5 July 2023
■ Annual General Meeting 2023	11 July 2023