



Nordzucker Post 1/2020

Editorial



Dear Readers,

our business result after nine months as of November 30, 2019, still remains negative and will remain so at the end of the financial year. However, it is significantly better than in the previous year. We have slowed the downward trend. Our cost-cut-

ting measures in administration and production are taking effect. There are signs of a slight price recovery in the new sugar marketing year as a result of two low harvests in Europe.

With our “Smart beet” initiative, we are investing in the development of innovative systems for beet cultivation. We are convinced that this will make beet an important and economically attractive member of crop rotation system in the new decade. Together with our beet growers, we will be competitive and successful in our core markets in the EU. More about this at the winter assemblies.

We continue to fight against distortions of competition in the EU and worldwide. #WirSindZucker is the joint initiative of all sugar industry associations in Germany and is based on our arguments. Join in! You can also find out more about this at the winter assemblies.

The campaign has ended in almost all plants. Our plant in Sweden will continue to run until mid-February after the modification and because of the very good harvest. Overall, the Group’s yields are a good average. Around the Baltic Sea there was more precipitation and better yields than in the “continental” climate zones.

In Australia, the first campaign with our participation was successfully completed. Unlike in previous years, we succeeded in processing all the attached cane in our factories. Incidentally, the devastating fires in South Australia did not affect the region around Mackay. Recently there was good precipitation there, which fortunately also reached the fire regions over 2000 km away.

Speaking of climate: sustainability and CO₂ neutrality are core issues for Nordzucker. We have already achieved a great deal in these areas for decades. The investments still required to achieve CO₂ neutrality will be substantial. To achieve this, the political and economic conditions must improve. We communicate this to our politicians at all levels in numerous discussions and rely on our constructive dialogue with the “Fridays for Future” movement.

I wish you interesting reading. We look forward to receiving comments and suggestions on Nordzucker Post and, of course, to interesting discussions on all topics at the winter assemblies.

Yours, Lars Gorissen

#WirSindZucker

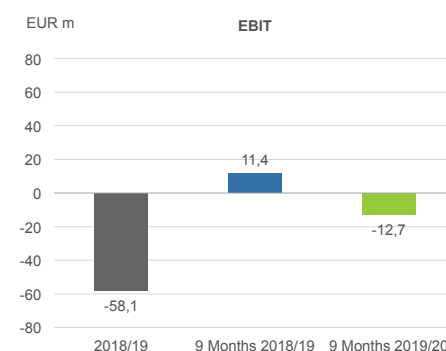
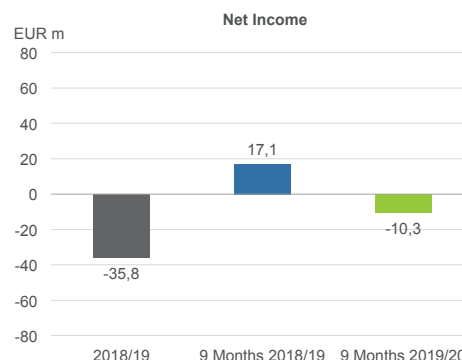
Downturn slowed down: cost-cutting measures taking effect

After the first nine months of the financial year, the operating profit (EBIT) of the Nordzucker Group, excluding the majority shareholding in Mackay Sugar Ltd. in Australia, was about minus 13 million Euro. We had already reported a negative EBIT of about 12 million Euro in the half-year financial statements. Although revenues fell slightly compared with the same period last year, they were only about 7.5 percent lower overall. In the first six months of the fiscal year, there was still a 12 percent decline.

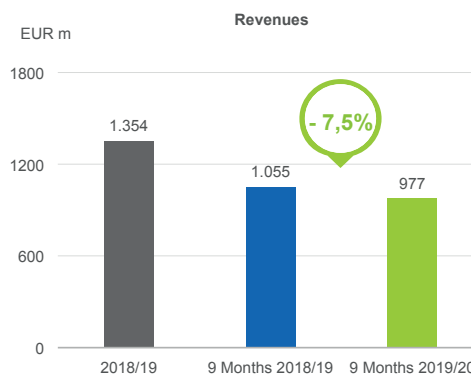
“We have succeeded in slowing down the decline in our earnings and we are now cautiously optimistic. At the end of the fiscal year, we are expecting a result which, although remaining negative, will be significantly higher than the operating loss of minus 58 million Euro from the previous year,” explains Alexander Bott, CFO.

The reasons for this development are consistent cost reductions throughout the Group, the successful implementation of our sales strategy, a favourable market development for bioethanol and in the animal feed market as well as an incipient recovery of sugar prices in the EU. “For the fourth quarter we expect the better prices we were able to negotiate in our new contracts to be reflected even more strongly in earnings. We expect to return to profitability in the 2020/21 financial year,” Bott continued.

The majority stake in Mackay Sugar Ltd. in Australia, which was acquired on 1 August 2019, will be fully consolidated in our accounts at the end of the financial year. The figures used here do not yet include the consolidated financial figures of the new majority holding.



Net income & Ebit: Losses lower than expected



Decline of 7.5 % – due to price and volume declines

Prices are slowly recovering

After its enormous decline, the EU sugar price according to the Commission's report is now rising again – but very hesitantly. In October 2019 it stood at 332 Euro per tonne, a level last exceeded in September 2018.

The renewed summer drought in 2019 meant that yields in the major producer countries of the EU, i.e. mainly France, Germany and Poland, were far below the five-year average. EU forecasts for the current sugar marketing year therefore assume that EU sugar production will not reach the volume of the weak prior year.

“Due to two consecutive years of declining production volumes, we see prices in the EU rise,” states Erik Bertelsen, CMO.

The analysts from F.O. Licht have revised their global sugar market balance for 2019/20 downwards from a deficit of 4.2 million tonnes in their July issue to a deficit of 6.5 million tonnes in the October issue and to almost 11 million tonnes in the January issue. This is mainly due to a reduction in production estimates for India and Thailand, while lower production in the EU is more than offset by higher production in Russia. Despite the

expected deficit, the world market price has been stagnated at a low level due to high stock levels, especially in India, Thailand and Brazil. Currently we do however see a strengthening in world market prices.

“It was for long not a question of whether the expected deficit would have a positive effect on the world market price, the question was rather when. Now we finally see the effect but how strong and for how long it will last is uncertain. Especially since crop estimates, especially in India and Thailand, are always very uncertain. The current positive development in world market prices is also linked to the strong oil price as this pushes ethanol prices up and thus more sugar cane is used for ethanol production and less for sugar production – especially in Brasil. Consequently the development in oil prices also have a strong influence on the world market price”, emphasizes Erik Bertelsen.



Sugar prices slowly recovering

2019/20 campaign almost finished

The Nordzucker Group has completed its campaign in almost all countries, only the Swedish plant in Örtofta is still processing beet until February. Overall, with more than 110 days on average the campaign will last longer than last year. The sugar yield groupwide is expected to be slightly above last year's level.

Nordzucker across all 13 European plants expects to process more than 15.7 million tonnes of beet (previous year: 14 million tonnes) at the end of this year's campaign. Örtofta is expected to be the last plant to complete processing by mid-February. Overall, the Group expects a longer campaign of more than 110 days in average than last year (102 days). This year organic beet was again processed into organic sugar at the three plants in Schladen, Nykøbing and Kedainiai.

This year's growing year was characterized by regionally very different weather conditions. In some areas with severe drought, yields were very low, while in other regions, around the Baltic Sea, with sufficient rainfall, even top results were achieved.

Dr. Lars Gorissen, CEO Nordzucker Group, explains: "This year's campaign shows once again that the beet copes better with varying weather conditions than other crops. It can withstand long periods of drought, but can also significantly increase in growth during periods of rain. Group-wide, we are overall satisfied with the result" and emphasizes: "The weather cannot be influenced, but the general conditions can. To ensure that sugar beet cultivation continues to meet European quality and social standards in the future, politicians are called upon to take action. Unequal conditions of competition in the licensing of plant protection products and through coupled payments must be eliminated."

Axel Aumüller, COO Nordzucker Group, explains for production: "In this campaign, our factories have again operated very reliably and trouble-free overall and the expectations for beet processing were even exceeded. This is not least due to the fact that we are investing in energy efficiency as well as in performance despite the tense market situation – this is paying off".



Winter assemblies 2020

The winter assemblies of 2020 are casting their shadows. There, Nordzucker employees and growers' associations will report on the past growing year. How much was harvested, where and why? This question will be examined, as will the running of the campaign in the various factories.

But it's not just about looking back at the winter assemblies. It is also about looking ahead, looking at the market for sugar as well as at the agricultural environment and its development. It is planned to present the new contracts for the growing year from 2021 onwards at the meetings.

It is particularly interesting for growers to learn about the contractual conditions for the forthcoming crop year. This can be seen not only in the number of visitors, but also in the noticeable tension in the hall on this topic.

The follow-up to the 20·20·20 project will be particularly interesting, as the challenges for sugar beet are not diminishing. Targeted trials in the various growing regions will be systematically planned and carried out over the next few years. This topic will be of particular importance in the future and Nordzucker will free up resources for it. It is about the fitness of the sugar beet for future cultivation. And this in all regions.

Visitors to the winter assemblies are always happy having the opportunity to find out about the current situation and future developments and to discuss them. It will certainly be worth attending the winter assemblies in 2020 as well.



Mackay Sugar ends crushing season successfully

After six months of crushing cane, Mackay Sugar Limited (MSL) has completed the 2019 season in Australia. 690,000 tonnes of raw sugar were produced and around 170,000 tonnes of molasses – used for distillation and animal feed.

Heavy rainfall prior to the start of the crushing season initially led to a slight delay in the start date of the season but then dry weather prevailed for the remainder of the season. The cane sugar content averaged 14 percent CCS slightly above the longer term average.

CEO Mark Day, is pleased: “We handled the challenges very well and were able to process all the sugar cane supplied from our growers. The growers, harvesting sector and the mills again worked well together to remove and process the crop. I would like to thank my MSL colleagues and our growers for their very good cooperation.”



Sugarcane harvest

Focus now on investments and maintenance

For the colleagues and their families in Mackay summer vacation is ending in these days. The temperatures are currently around 30 degrees Celsius. Fortunately, the region is not affected by the enormous drought and the devastating fires in Australia, the Mackay area even had some decent rainfalls over the Christmas and New Year’s eve period.

At the Beginning of February the maintenance season, which immediately began after the processing was completed, will continue. Michael Gerloff, Chairman of the Board of Directors, explains: “MSL is now also visibly a Member of the Nordzucker Group and emphasizes: “The clear target is to increase the availability of the mills in the long term. By the start of the crushing season 2020 in June, the first part of the major maintenance and investment program will have been implemented.”

Joachim Rüger, who has assumed the role of COO in the MSL management, says: “We are investing across in all three factories and the rail cane transport system. I am sure that MSL will already be in a much stronger position for the next crushing season.” Jannik Olejas, who is as General Manager in the MSL management also responsible for the agricultural sector states: “We are also focussing in the field of grower consulting in Australia by making better use of the available data, making it digitally usable for the growers and to further increase.

Nordzucker COO Axel Aumüller as the responsible Executive Board Member for the Cane business unit, emphasizes: “The first months of joint work between the Australian and European colleagues are an excellent basis for the further positive development of MSL. I would like to thank everyone for the good cooperation and great commitment”.



Sugar mill Racecourse



Young sugar cane stock in the foreground, yield stock in the background

Fridays For Future – Nordzucker discusses plan for CO₂ neutrality by 2050 at the latest

At the beginning of January, Nordzucker discussed the “Go Green” programme for the conversion of all factories to renewable energies with members of the Fridays For Future movement from the communities of Nordzucker locations. The Nordzucker group plans to phase out coal at all plants by 2030. Climate neutrality should then be achieved by 2050 at the latest. This conversion will require considerable investment.

Despite different ideas about the time frame for implementation, there was agreement in the objective discussion that in general a conversion from fossil fuels to renewable energies is only economically viable at higher CO₂ prices. For Nordzucker, the elimination of existing competitive distortions within and outside the EU is fundamental. An earlier conversion will only be possible if political and economic conditions improve.

The project is currently evaluating the potential of possible technologies and their applicability in the factories. Subsequently, promising technologies are tested in real production before they can be implemented throughout the Group.

Further talks with Fridays For Future are to follow.



EU Green Deal

The new EU Commission's Green Deal is the EU's central initiative for sustainability and will guide EU policy over the next five years.

So far, the following aspects are foreseeable for the food industry:

- Raising the EU's greenhouse gas emission reduction target to at least 50 percent and up to 55 percent by 2030 (compared to the 1990 baseline) – Nordzucker has already reduced its energy consumption by 40 percent and CO₂ emissions by 60 percent in the above period.
- With the Farm to Fork strategy to implement a more sustainable food policy, the Commission intends, among other things, to significantly reduce the dependence, risks and use of chemical plant protection, fertilisers and antibiotics, and to develop innovative cultivation techniques to protect crops from pests and diseases.
- Pushing forward the Commission proposal on the Common Agricultural Policy (CAP), according to which 40 percent of the total budget is to be tied up in climate-related actions.

Even though concrete details of the Green Deal are still outstanding, it is already foreseeable that this initiative, which is aimed at making the EU climate-neutral by 2050, will enact legislative and non-legislative measures for greater sustainability in all policy areas and economic sectors over the next two years.



Politicians sensitized to sugar

During the beet campaign, politicians from the EU, federal and state parliaments took the opportunity to visit Nordzucker's factories to find out about the current situation at Nordzucker and on the markets.

The future energy policy and its effects on Nordzucker were a core topic of all visits. Nordzucker presented the Go-Green project, which prepares the group-wide coal phase-out by 2030 and a complete conversion to CO₂ neutrality by 2050 at the latest. In exchange with MdB Bernd Westpahl, MdB Carsten Müller and MdL Marcus Bosse, the focus was on this project. The problem of competitive distortions within the EU and internationally remains unsolved.

In addition, the discussions with MEP Sven Schulze, MdB Ingrid Pahlmann, MdL Christoph Plett, MdL Dr. Marco Mohrmann as well as MdL Jörg Hillmer with further Members of Parliament from the constituencies bordering on Uelzen mainly dealt with agricultural policy issues such as plant protection, new breeding methods, fertiliser ordinance and the EU agricultural policy.

In all of the talks, Nordzucker was able to sensitize politicians to the still difficult situation and the major challenges facing beet growers and companies. The production of sugar from beet in our regions secures jobs and is carried out to high environmental and social standards.



From left: Dr. Udo Harten (Head of Factory Klein Wanzleben), member of european parliament (MEP) Sven Schulze, Helmut Bleckwenn (Dachverband Norddeutscher Zuckerrübenanbauer), Christian Kionka (Head of Communications & Public Affairs Nordzucker).



Nordzucker employees around Elmar Kuhnt, Head of Factory Nordstemmen, welcome the SPD member of federal parliament (MdB) Bernd Westpahl.



Andreas Affeldt (Head of Factory Clauen, 2nd from right) and Alexander Sick (Public Affairs Nordzucker Group, 4th from right) welcomed at the factory Clauen member of federal parliament (MdB) I. Pahlmann (3rd from right) and member of state parliament (MdL) C. Plett (2nd from left).