



Nordzucker Post 3/2020

2019/20 financial year: Result improved – outlook good despite Corona



Dear Readers,

Beet growing has a future. Beet growers in Germany have signed more than 85 per cent of the sugar beet delivery contracts from 2021 onwards as multi-year contracts. This will secure beet supplies for the next three years.

In Europe, sugarbeet sowing this year was carried out according to plan despite the corona pandemic. There has been more rain in the Scandinavian growing regions than in regions characterized by a continental climate. The beet situation is correspondingly varied.

Campaign preparations at the plants are proceeding according to plan and the necessary material is generally available. The hygiene and clearance regulations that are still necessary have been established and will be adapted to the situation during the campaign.

On the world market, the corona pandemic has been creating new conditions for the time being since early March. Together with the massive drop in oil prices, sugar prices on the world market have also slumped.

In Europe, we expect a relatively small impact on demand and thus largely stable prices due to an approximately balanced market. Our clear goal is and remains to generate positive results again in the current financial year.

Thanks to the enormous commitment of our employees, we have been able to meet the sudden increase in demand in March in all countries. Many of our customers have expressly thanked us for this. They highly appreciate our reliability and the quality of our products and services.

In Australia, Mackay Sugar Ltd. (MSL) will start the first campaign, the “crushing season”, at the beginning of June, completely under our responsibility. Following our entry into cane sugar production last year, the first investment measures were implemented. We expect a roughly average harvest during the processing period of about six months.

In financial year 2019/2020, we achieved a better result than could have been expected after the extreme drop in prices last year, although it still represents a loss. Our measures to improve earnings are taking effect. Our detailed report on the past financial year can be found at www.nordzucker.com.

At the Annual General Meetings, we will report directly on the status and outlook for the company. Due to the current situation, we have postponed them until October 2020. We hope that it will then be possible to hold a presence event again. In addition, we want to give our shareholders the opportunity for the first time to participate in the events online. We look forward to your interest.

With all good wishes

Your
Lars Gorissen

Annual financial statements 2019/2020: Loss lower than expected



Nordzucker published the current annual report at the annual press conference. The loss was lower than expected, in particular due to cost reductions. Although the corona crisis makes the outlook more difficult, a positive result in the current year remains realistic.

Nordzucker closed the 2019/2020 financial year with a slight increase in revenues and an operating loss that was significantly lower than the previous year's loss and lower than expected. The repositioning of the sales strategy, the significant streamlining of the organisation and comprehensive permanent cost reductions have contributed to the improved results. The 70 per cent majority stake in Australia's second-largest sugar manufacturer, Mackay Sugar

Ltd. (MSL) was consolidated for the first time and made a positive contribution. A positive result for Nordzucker AG in the current 2020/2021 financial year remains realistic despite uncertainties arising from the corona crisis.

In the 2019/2020 financial year (closing date 29 February) Nordzucker achieved group revenues of EUR 1,439 million, 6 percent above the previous year (EUR 1,354 million). Operating profit (EBIT) was minus 15 million euro (previous year: minus 58 million euro). The financial year ended with a net loss of minus 15 million euro (previous year: minus 36 million euro). For the second year in a row, no dividend payment will be proposed to the Annual General Meeting.

Outlook: Challenges from Corona Pandemic

Sugar prices on the world market and in the EU had recovered during the past financial year. The reasons for this were declining production in Europe and the expectation of a global deficit. However, the corona pandemic has created completely new conditions on the world market since the beginning of March. Together with the massive drop in oil prices, sugar prices collapsed. Brazil is now partially switching from bioethanol to sugar production, which is expected to result in higher export volumes on the world market.

In Europe, the demand for sugar products in the retail sector skyrocketed in March 2020, triggered by "hoarding". Thereafter, retail demand fell to below-average levels, but is expected to normalise.

"We were able to meet the sudden increase in demand in all our countries. Many of our customers have expressly thanked us for this," reports Dr. Lars Gorissen, CEO, and continues: "Due to the easing, we currently assume that the impact of the corona pandemic on demand in the EU will be relatively small and that prices will remain largely stable. Our clear objective is to return to positive results in the current financial year".

Price stability in the EU

Since the beginning of March, the corona pandemic has created completely different price conditions on the world market. Together with the massive drop in oil prices, sugar prices dropped. Brazil is partially switching from bioethanol to sugar production, which is expected to result in higher export volumes on the world market.

While analysts prior to Corona were still predicting a production deficit of nine million tonnes worldwide, a deficit of about seven million tonnes is still expected in the current sugar marketing year due to lower global demand.

“The fundamental data point to a deficit that could lead to a stabilization of the world market. We expect sugar consumption to grow again worldwide once a corona-induced decline has been overcome,” said Erik Bertelsen, CMO.

The ratio of sugar demand to production is balanced in the EU. “The balanced EU market and low import volumes currently indicate high price stability in the EU,” emphasizes Erik Bertelsen.



Our customers say: “Thank you”



Many of our customers in the retail and industrial customer business have thanked us in the past few days by letter, email or in conversations. Their thankfulness is especially addressed to employees of Nordzucker in all countries. Our customers have highly valued the great commitment made in recent weeks. Without food manufacturers such as Nordzucker, also retailers and processors would not have been able to produce and reliably supply consumers with sweet products.

The entire supply chain was efficient and stable during this difficult time. In the coming period, despite some relaxation in public life, consumption is still expected to be lower, especially in the gastronomic sector. With the decline in stock piling in the retail sectors and inventories in the industrial sector, sales in some sectors have fallen significantly again.

Campaign preparations 2020 in the plants

The Corona issue will probably not be finished before the campaign. The employees in the plants have to adjust to the various conditions and structural, organizational and personal measures.

Wherever colleagues work with the same equipment either close to each other or in shifts one after the other, there is a need for adaptation. Critical areas in the plants are, for example, the control rooms from which production is controlled. Here, a relatively large number of people work in a closed room using the same keyboard, mouse and telephone. Measures are now being developed for these situations.

Overall, the preparatory measures in the area of maintenance and investments are well underway. The sugar

beets are growing outside, which will then be processed in the campaign.



Activities in the agricultural sector

Sugar beet for the next campaign is now growing in all countries. The dominant theme almost everywhere is the lack of rainfall, especially in the southeastern part of our cultivation area, starting with the region around Klein Wanzleben and extending into Slovakia. The uneven crops range from seedlings to almost closed stands.

In the more developed stands, the herbicide measures have been completed. The appearance of animal pests is still observed, but has eased somewhat. The monitoring has once again proved its worth.

The digital cultivation advice supports the colleagues in the agricultural departments. This year in particular, it has become clear that decision-making aids accessible to the growers via web or app, communication via push messages or markers set in the fields are extremely helpful tools. Nico Loewel, Head of Agri Digital Services: "We are constantly developing the functions further. Already today, beet growers are able to address their questions to their personal advisor digitally, including photo and location". The advisor can then process the grower's enquiry and thus provide competent assistance at a distance. Not only

in these corona times is this a key factor in minimizing risk and securing yields.

In addition to the 2020 field record in agrilog, which has now also been introduced in Poland, the contract volumes for 2021 have been signed in Germany, and negotiations have started in other countries.



In the starting blocks: Crushing season 2020 in Australia

The first maintenance season in Mackay Sugar Limited (MSL) under Nordzucker's ownership is close to an end and the upcoming crushing season under the leadership of the newly appointed Chief Executive Officer (CEO) Jannik Olejas is about to start early June 2020.

From beginning of June sequentially all three mills will start. During the crushing season which most likely lasts until end of November the cane is transported via railway system to one of the three mills where it is processed to raw sugar. In Australia, the Mackay region in northeastern Queensland hasn't had many active cases of COVID-19. Nevertheless, extensive protective measures have been taken here as well, but preparations for the crushing season are proceeding according to plan.

As part of succession agreement following the acquisition of the 70 per cent shareholding in MSL in July 2019, Jannik Olejas has been appointed as new CEO of MSL as of 21 April 2020. He seconded with his family to Australia already in September 2019 as General Manager. Prior to this he has been employed with Nordzucker Group and the former Danisco Sugar since 1992 and until recent hold up a Top Management position reporting directly to the CAO and later the CEO of Nordzucker Group

Axel Aumüller, COO of Nordzucker Group and responsible for the Business Unit Cane Sugar states: "I am fully convinced that Jannik will lead the organization and the business on the ground into a successful future. We can already see initial results of the work which is being done to deliver next steps in our investment and maintenance plan in MSL. I wish him and all colleagues a successful and safe crushing season."



Annual General Meetings postponed



Due to the corona pandemic, we have postponed the annual general meetings to 7 October 2020 for Nordzucker Holding AG and to 8 October 2020 for Nordzucker AG. The events are to take place as usual in the Braunschweig town hall. In addition, this year for the first time shareholders will have the opportunity to participate digitally. Information on physical and online participation will be made available to shareholders in advance.