



Nordzucker Post 4/2020

The beets are in good shape



Dear Readers,

The rainfall has been well distributed so far, so that currently the water demand of the beets “from hand to mouth” is covered and we currently expect a good average harvest in the Group.

This is in line with our planning and the demand in the EU market. We have planned with a sense of proportion, since the available supply on the EU market is decisive for prices in the EU in addition to the world market development. Which harvest the course of the year will then allow us to produce is a different matter and naturally fluctuates from year to year. Prices in the EU have recently been stable and are significantly higher than in the previous year. World market prices have recovered somewhat from their decline in March.

Our efforts to reduce manufacturing costs as well as sales and administrative expenses and to secure prices largely in good time are paying off. We generated positive operating earnings (EBIT) of Euro 23 million in the first quarter of the 2020/21 financial year. Australia has again made a positive contribution to this result.

We are looking ahead to the upcoming campaign and are preparing the workforce and plants for operations under corona conditions. The aim is to further prevent infections. For everyone personally and for us all together. This is particularly important in the holiday season now beginning.

I am looking forward to reporting to the Annual General Meeting on October 7 about the then somewhat more distant annual financial statements and the current fiscal year. The Annual General Meetings of Nordzucker Holding AG and Nordzucker AG will be held on the same day and, due to the special conditions this year, will be exclusively virtual. Our shareholders will receive the conditions for participation, questions and voting shortly with their invitation.

Stay healthy.

With all good wishes
Yours, Lars Gorissen

Positive result in the first quarter confirms expectations

After two financial years in which Nordzucker had to report losses, the company was now able to generate a positive operating profit in the first quarter of 2020/21 from 1 March to 31 May 2020.

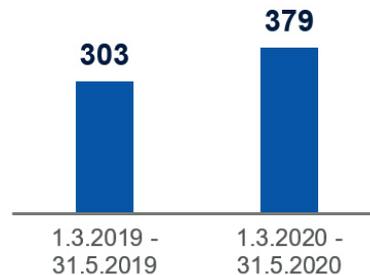
A positive price effect in the European sugar market combined with good developments in sales of animal feed and bioethanol led to a 25 percent increase in revenues over the same quarter last year. Declining production costs in the 2019/20 campaign and lower sales and administrative expenses had a positive impact on earnings. Earnings in the cane sugar business of the subsidiary Mackay Sugar Ltd. in Australia were also positive in the first quarter.

Following a loss of five million Euro in the same period last year, the group generated an operating profit (EBIT) of 23 million Euro in the first three months.

“We are satisfied with the first quarter of the fiscal year and expect a clearly positive consolidated result for 2020/21. The corona crisis has so far led to marginal declines in sales volumes and the world market price has come under severe pressure since then. However, we can largely offset these negative effects with the prices we have fixed. In addition, there are positive price effects from energy prices. Furthermore, our cost-cutting measures, which we are continuing to pursue systematically,

are taking effect,” said Alexander Bott, CFO, Chief Financial Officer of Nordzucker AG, summarising the situation.

Revenues (in Mio. Euro)



EBIT (in Mio. Euro)

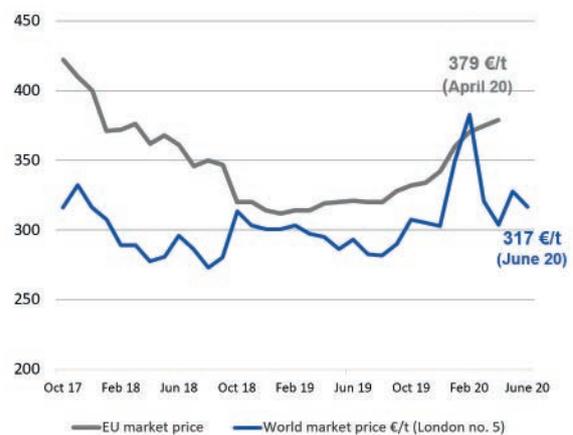


World market prices show slight recovery – higher volumes expected in the medium term

The Corona crisis had caused sugar prices on the world market to fall dramatically. Since April, however, a recovery has been underway again, mainly based on increased demand for oil and thus also for bioethanol. World market demand is currently concentrated in Brazil, where there are real traffic jams in the loading ports. However, congestion is expected to ease after the end of the harvest of other fruits and the concentration on sugar and prices may come under renewed pressure from the quantities then available. A significant decline in demand is expected worldwide this year due to the pandemic. At the same time, we must assume that India and Brazil will increase their sugar production. A production surplus is therefore again expected in the 2020/21 sugar marketing year, which may lead to corresponding new pressure on world market prices.

Prices in the EU stable

Sales volumes in the Nordzucker Group remained slightly below expectations due to the consumer reluctance in April and May associated with the lockdowns in Europe. However, prices remained stable and are significantly higher than last year.



Source: EU Commission and Reuters

Virtual General Meetings on 7 October 2020



The Annual General Meetings of Nordzucker AG and Nordzucker Holding AG could not take place in the summer as usual this year due to the corona pandemic. Because of the continuing risk of infection and the official requirements, we have to refrain from holding attendance events of this size in October.

The law on measures in company, cooperative, association, foundation and residential property law to combat the effects of the COVID 19 pandemic, which came into force on 28 March 2020, opens up the possibility of holding ordi-

nary Annual General Meetings in 2020 without the physical presence of shareholders or their authorised representatives (virtual AGM).

The virtual events will take place both for Nordzucker AG and Nordzucker Holding AG on Wednesday, October 7, 2020. Nordzucker Holding AG will start at 9.00 a.m., Nordzucker AG at 2.00 p.m.

The annual general meetings will be broadcast live on the internet in sound and vision for the entire duration of the event on our Annual General Meeting portal for shareholders who have registered in due time. Our shareholders will receive further information with the invitations to the Annual General Meeting.

A virtual Annual General Meeting is only allowed by law in 2020 in the context of the Corona pandemic. In the coming year, we plan to hold the Annual General Meetings as attendance events again as usual. In addition, however, we want to offer our shareholders the opportunity to follow the Annual General Meetings online in the future and thereby exercise their rights as shareholders.

Right on trend – Wide range of jam sugar

Nordzucker, the market leader in organic jam sugar in Germany, has again expanded its product range for the current season. In addition to the well-known 500 gram Sweet Family jam sugar packages in 1:1, 2:1 and 3:1, each as a conventional and organic product, the classic 2:1 (conventional) is now also available as a 1 kilo XXL special offer package in retail stores. Nordzucker is apparently meeting the needs of consumers. More than 50 percent of jam sugar buyers opt for this medium-sweet variant. About 3.5 kilograms of 2:1 gelling sugar are purchased on average per household/per year.

During the jam season, the demand for the jam sugar varieties packed in Uelzen is increasing. The jam sugar is presented in the trade on so-called displays (pallets) and meets the continuing trend towards homemade jams made from regional beet jam sugar. In Germany, more than 20 million packets of jam sugar are purchased in the months June-July.

The various products are this year being advertised via the social media facebook, pinterest and instagram and encouraged to make them themselves with recipe ideas and a lottery.



Homemade jam with Sweet Family - tasty and fresh.

facebook:

<https://www.facebook.com/SweetFamilyVonNordzucker/>

pinterest:

<https://www.pinterest.de/sweetfamily0001/>

instagram:

https://www.instagram.com/sweetfamily_nordzucker/

Yield expectations beet / cane

For sugar beet, we expect an overall average harvest in our countries. Drought after sowing prevented good beet stocks in some regions, cool weather in April / May delayed development.

However, it did rain in many regions and higher temperatures in June led to good growth. Slightly above average yields can be expected here. EU-wide, the EU-Commission is also currently assuming slightly above-average yields with at the same time declined areas under cultivation.

After the first weeks of the 2020 harvest in Australia, a slightly above-average harvest of sugar cane is expected there. Sufficient rainfall during growth and higher solar radiation have led to this expectation.



First test harvesting will start in Week 31.

Contracts with beet growers

For Germany, the contracts from 2021 are signed. The amount issued has been slightly oversubscribed and the free amounts have been distributed. Overall, the number of growers with contracts has decreased by 8 percent. The individual grower signed a higher contract amount on average for almost the same total amount.

For 2021, more than half of the contractual amount has been subscribed to in the three-year contract at a fixed price. In total, almost 90 percent of the necessary volume for 2022 and a large part for 2023 has already been underwritten through the multi-year contracts. A good negotiation result and the confidence in our company and sugar beet are reflected here.

In most other countries, negotiations on the sugar beet delivery contract have also been concluded. Subscription for the growers will follow shortly.



By signing the contracts, the beet quantities are secured for approximately three years.

Farm to Fork – Strategy of EU-commission

The EU Commission intends to make the EU food system a global benchmark for sustainability. The Farm-to-Fork Strategy (published in May) aims to reduce food consumption and loss, as well as better informed consumers.

Targets for food manufacturers include:

- harmonised and mandatory nutrition labelling on the front of pack (FOP),
- the promotion of reformulation measures,
- setting maximum levels for certain nutrients in food;
- the creation of nutritional profiles with a purpose of restricting the promotion of foods with a high fat, sugar and salt content (through nutrition or health claims).

These objectives focus on reducing individual foods and ingredients such as sugar, fat and salt. Unfortunately, the energy density of food or the energy balance from energy intake and consumption, the most effective measure when it comes to preventing obesity, is not in focus.

By 2030, the “Farm-to-Fork” strategy will also aim to

- 50 percent reduction in the use of chemical plant protection,
- Reduction of fertilizer use by at least 20 percent,
- Extension of organic farming to 25 percent of the total agricultural area.

Nordzucker is already working on solutions for beet growing in the Smart Beet Initiative in research, testing, consulting and digital approaches.

The “Farm-to-Fork” strategy will be followed by concrete initiatives on the EU Green Deal, which will have an impact on many areas of Nordzucker’s work.



A varied diet with a balanced energy balance is the best foundation.

Nordzucker with Corona experts

The Corona era brings new challenges. How can we work together in the campaign if distances cannot be kept? How can administrative tasks be solved without direct contact? Which tools are effective and practical?

A team of experts has dedicated itself to these questions, which are existential for us. One of the main tasks is to ensure the company’s duty of care towards its employees. But not only the care of the employees should be ensured, also the upcoming campaign. This means both the operative and the administrative units. Ideas and possibilities that make it possible to work under corona conditions are developed, tested and processed in this team.

The team of experts is composed of employees from various disciplines. Together they contribute their expertise and stand for effective and feasible measures.

One of the first measures was the development of a guideline with a general overview of corona and the main transmission paths. From this, a decision tree in the form of a flowchart is derived, from which practical support (measures) in technical, organisational and personnel aspects for the main transmission paths can be found. Concrete measures are being pursued for air conditioning systems. For example, the use of UV light to combat viruses is being tested for effectiveness and feasibility. Certainly further ideas, hints and possibilities will follow to make the campaign successful.



Covid 19 – Bioethanol dispensed for disinfectants

At the beginning of the Covid-19 pandemic, when protective equipment and disinfectants were scarce, Nordzucker supplied available quantities of bioethanol to pharmacies as well as other companies for the production of disinfectants.

The Nordzucker plant for the sustainable bioethanol production of sugar beet in Klein Wanzleben is located in the middle of the sugar beet cultivation area, with existing logistics infrastructure and a sugar factory right next door. The plant has a production capacity of 130,000 cubic meters per year. The bioethanol is loaded and then transported to customers in railway tank wagons as a block train or is loaded into road tankers. In the initial corona phase, deliveries to the pharmacies were made, within the framework of granted exemptions, additionally in 1,000 l plastic containers (IBCs) that were otherwise unusual for us. On site at the plants, we supported further bottling into smaller containers. Requests from pharmacies and other enquiries could be served flexibly during this challenging time with a lot of pragmatism as well as with our usual dedication.

Before the new campaign, bioethanol production from thick juice is planned, followed by production during the beet campaign.

With the plant in Klein Wanzleben, Nordzucker markets bioethanol in the fuel market and as industrial alcohol. The share of sales for industrial alcohol is up to 25 percent. Through the use in E5 and E10 gasoline, bioethanol also makes a significant contribution to saving greenhouse gas emissions in traffic.



Disinfectant made from Wanzleben's Bioethanol in a pharmacie.

Investment measures 2020/21

The focus of investment this year will be on increasing efficiency, fulfilling official requirements and replacement investments.

One of the largest investment projects is the structural project in Sweden, which is now in its third year of implementation. Work is currently in full progress on moving the speciality factory from Arlöv to Örtofta. Around 28 Million Euro have been budgeted for this in 2020/21.

The complete renewal of the pulp presses in Nordstemmen is making great progress. This involves replacing the aging vertical presses with horizontal presses, which are more efficient and energy-saving. The new press station is being built at a different location within the factory, so that the planning for this year provides for the construction of the foundations and pulp presses and then the installation of the conveyor system. The final integration into the process will take place next year. Including planning, 13.5 Million Euro will be invested over three years.

During the current maintenance period, a new sugar drying drum (photo) was also replaced in Opalenica for 2.9 Million Euro. The tight schedule and the closure of national borders due to the Corona pandemic led to sleepless nights at times, as parts of the drum were also manufactured in Italy. It is thanks to the high level of commitment of the team that,

despite these circumstances, the schedule can be maintained and costs are lower than expected in the plan.

There are also unplanned investments this year. Company-wide measures are necessary due to Covid-19 in order to secure production and delivery capacity. Also storm and campaign damages must be worked up and cause expenses.



New sugar drying drum in Opalenica.

Interview on an organic farm



Frauke Brauer-Siebrecht und Markus Blomberg are two out of seven partners in a firm.

In a small series, we would like to introduce you to various agricultural businesses in the Nordzucker Post. The diversity in the agricultural sector and the contractual partners with Nordzucker is always apparent.

The start-up of this series is an organic farm in the Hildesheimer Börde: BioBördeLand GmbH. Matthias Schulte has interviewed two of the company's partners, Frauke Brauer-Siebrecht and Markus Blomberg.

What was the reason you decided to run your business ecologically?

Markus Blomberg: We had the idea of bringing the ecological and economic aspects of an agricultural business closer together. And when I look back, we have already succeeded in many areas. Of course, we also saw market opportunities for our products. Ecology and economy.

Frauke Brauer-Siebrecht: In addition to these aspects, the further development of the farms also played a role. Coming from a salaried position, we had to do something to keep our operations, which until then had operated conventionally, viable. And this was exactly the way we wanted to go, and it offered a perspective.

What is the exciting thing about organic farming?

Frauke Brauer-Siebrecht: It never gets boring. Nor do we have this pronounced peak in the course of the year, comparable to a conventional farm, which has its peak in the grain harvest. When we are finished with one step, with one fruit, the next one is already coming. In the course of the year the steps are more evenly distributed.

Markus Blomberg: Our main business is already spread over two cultures: carrots and potatoes. And the carrots are grown in such a way that they can be harvested over as long a period as possible. Storage is difficult and the carrots should always be fresh. The cereals, on the other hand, are rather easy to store. And of course we are always looking for interesting new crops. So we are never ready.

What is special about this year?

Markus Blomberg: Unfortunately, this year the carrot has been attacked by a pest for which there is no experience in our regions. The larvae damage the roots and that is of course not nice.

Frauke Brauer-Siebrecht: We are also looking for solutions to the new problem with consultants. Fortunately, only part of the area is affected, but who knows how the pest develops and what will it be next year? But the sugar beets, which we have been growing on 25 hectares for several years, are growing well this year. However, more hours of work were needed this year to control the weeds. We are of course observing the further development of hoeing robots. So it remains exciting!