



Nordzucker Post 6/2021

Lars Gorissen: Sugar and raw materials on the rise



Dear Readers,

the price of sugar is currently experiencing upward trends on the world market. High demand in Asia and lower availability from India and Brazil are the main reasons. This development on the world market is also having a positive impact on prices in Europe and, together with our efficiency measures, it is reflected in the half-year results. With an operating profit of €64 million, we are well ahead of the prior-year period (€51 million). Makay Sugar in Australia is also performing positively.

More than a drop of bitterness, however, are the energy prices, from whose relatively short-term extreme increase we are affected despite hedging in advance. They reduce our earnings expectations, which nevertheless remain comparatively positive for the full fiscal year. They are likely to have an even greater impact in the next fiscal year.

Prices for agricultural raw materials, some of which compete with sugar beet in terms of acreage, are also climbing to new heights. Nordzucker has already completed the signing of planned contract volumes for cultivation in 2022 in Germany and other countries with pleasing results. In some countries, farmers' subscription is still ongoing. In addition to the price, it is also the crop rotation effect that gives sugarbeet a firm place in cultivation. The high nutrient efficiency also makes a positive impact in the face of rising fertilizer prices. With the field days that have now been held again and are in the pipeline, we are pleased to provide you with more detailed information on these and other advantages of beet cultivation.

The campaign is running relatively well in all locations, with above-average beet (and cane) yields at rather lower sugar contents than the average over the years. Our expectation of a well-average harvest seems to be confirmed.

The commitments to reduce emissions as part of our Nordzucker 2030 sustainability strategy are being perceived positively. Many customers are striving for CO₂ neutrality and are including their suppliers in the calculation. This is in line with the logic in the comprehensive view of sustainability. We will make a big step towards the use of renewable energy in Örtofta from next year by sourcing steam from an external plant powered by wood waste. The switch to natural gas as a first step at remaining sites will also be completed by 2030 at the latest.

To invest in the complete phase-out of fossil fuels, we need reliable framework conditions so that we can, for example, decide flexibly on the use of sugarbeet pulp in the energy or animal feed sectors. The infrastructure for gas and electricity (and hydrogen?) and data transfer for digitization, even in the field, are also part of this. We will need specific solutions for the conditions in the regions of our plants. The support of politics is essential here to achieve the climate protection objectives.

I wish you a inspiring read of the Nordzucker Post.

Yours

Lars Gorissen

Go Green – CO₂-neutral production



Climate change makes it necessary to massively reduce CO₂ emissions in order to ensure a good life for future generations on earth. We have set ourselves the goal of phasing out coal as an energy source by 2030 at the latest and then achieving CO₂-neutral production in further steps. These are major challenges for Nordzucker that require enormous investment and innovation. To achieve this, we need a reliable political framework.

"In order to be able to manufacture our products without using fossil fuels by 2050 at the latest, we have to think about the day after tomorrow today," explains Dr. Albrecht Schaper, project manager of the Go Green project. To achieve this, manufacturing processes must be simulated in order to be able to effectively implement the necessary measures. We cannot afford to invest in new technologies without first simulating the effects, neither in terms of time nor financially. Further significant energy savings are expected from technologies not previously used in the sugar industry.

At our Swedish plant in Örtofta, we have started to connect to an external combined heat and power plant nearby to

obtain steam from the wood waste used there for partial heat supply for sugar production. For the Uelzen factory, the conversion from coal to gas is planned within the next three years. In Poland we are investing to reduce energy consumption by 15-25% over the next three years and aim to phase out coal by 2025. In our Danish operations, we will stop using coal and oil in the boiler houses in 2024.

A major unknown in all considerations is still the availability of renewable energies to cover the expected demand for heat and electricity. Here, reliable framework conditions are needed from politicians in the long term. Schaper made it clear: "We are talking about the transformation of an entire industry, EU-wide. Each location in the Nordzucker Group has to be considered individually, there is no one-fits-all solution. We will need different solutions for different conditions in the respective regions of our plants. "

We have intensified our efforts to reduce CO₂ emissions and energy consumption, and not just because of the increasing public debate about environmental protection and climate change - which was politically taken up in the European Green Deal with the goal of a climate-neutral continent. Since 1990, energy consumption in sugar production from beet has fallen by 40 percent and CO₂ emissions have been reduced by 60 percent. Already the reform of the European Emissions Trading Scheme in 2017/18 and the foreseeable sharp rise in CO₂ costs have called for new ideas. With the establishment of a Go Green project organization, concrete work on CO₂ reduction potential and investment planning followed at an early stage. In 2021, Go Green finally found its place in the Nordzucker Sustainability Strategy 2030.

Good results in the first half-year



Nordzucker increased its sales in the first half of the year from 757 Million Euro to 899 Million Euro. With rising sugar prices and sales volumes, this increase was above expectations. An operating profit of 64 Million Euro was achieved due to the good development in the market and the implemented efficiency measures. In the same period last year, EBIT was 51 Million Euro. Nordzucker's subsidiary Mackay Sugar Ltd. in Australia is also developing positively on the basis of the current high world market prices.

"The favourable market development has again improved our result this year. However, we would not have been able to achieve this comfortable result without our successfully implemented efficiency programme ActNow!", says Alexander Bott CFO.

For the 2021/22 financial year, Nordzucker expects an operating profit above the previous year's result of 81 Million Euro.

"Even though we are currently benefiting from a good market situation, we must not forget that global market developments remain volatile. At the moment, not only the price of sugar is rising, but all prices for materials and especially for energy, which we need. An increase in costs cannot be avoided. This makes it all the more important to continue to push ahead with our planned excellence measures in the areas of logistics, production and agri," explains Alexander Bott.

Intensive exchange with politics: For a sustainable energy supply



Meeting at the Schladen factory with Lower Saxony's Environment Minister Olaf Lies

The Nordzucker Go Green program is arousing interest in politics and has become an integral part of our discussions with the state and federal levels. With the program, Nordzucker has flipped the switch on a Group-wide transition to a fossil-free energy supply by 2050 at the latest. During a visit to Schladen on 2 September by Lower Saxony's Environment Minister Olaf Lies with a group of other SPD state and local politicians, the focus was on the question of a realistic energy source for the sugar factories. The energetic use of biomass from our beet pulp could be promising.

For Nordzucker, however, flexible use of the beet pulp is essential. Nordzucker would like to be allowed to decide freely, based on economic considerations, whether the beet pulp is to be used as animal feed or as a substrate for energy production in biogas plants. The decisive factor for this variable approach is the question of whether the beet pulp is considered waste or a product. According to the

current political will, it would not be possible to use the product animal feed for energy purposes. Minister Lies has promised to discuss this issue in further talks with Nordzucker.

The challenges for a more sustainable economy have dominated the public and political debate not only since the elections in Germany on 26 September. In recent weeks, Nordzucker has held many talks with politicians at state and federal level. In addition to the topic of Go Green, our sustainability strategy in general has also met with pronounced interest.

Nordzucker is perceived by politicians as innovative, proactive and future-oriented. This is not least due to the Sustainability Strategy 2030 with its four pillars: Caring for people, sustainable procurement including beet cultivation, sustainable production and sustainable products.

First field days have taken place again



This year Nordzucker has again set up trials in sugar beet together with the sugar beet growers' associations and the Lower Saxony Chamber of Agriculture. Additional trials were set up in all countries, not only as part of our Smart Beet Initiative (SBI). The annual variety trials, herbicide and fungicide trials are just as important for the further

development of sugar beet cultivation as the trials on fertilisation.

The Lower Saxony Sugar Beet Day took place again this year. The variety trials with the question of leaf-healthy varieties and the fungicide trials were a focus here. With decreasing active substances, leaf diseases must be avoided in the future. One way is to breed healthier varieties through tolerance or resistance.

But also in the other countries, the first meetings with growers took place again in the field. Here, the SBI and other herbicide and fungicide trials could then be shown.

After the harvest, the results of the trials will be evaluated. We will provide information on this at the events in the countries.

Campaign 2021/22: Factories off to a good start



Currently, many Nordzucker factories have processed about a quarter of their planned beet volume. Axel Aumüller, COO, says: "In most of the factories, the campaign has gone without any major disruptions so far. However, the sugar contents are at a lower level than in previous years, but the yields are significantly higher." This is due to the weather (more rainfall) and higher pressure with leaf diseases (new leaf growth costs sugar).

For a short period of time, the supply of sugar beet to the Clauen and Nordstemmen factories had to be secured at the beet yards by loading mice. As the transport of sugar beet from the beet yard was interrupted, the beet was loaded onto the conveyor belt directly in front of the factory with mice, thus securing the factory's supply. The transport problems could be eliminated relatively quickly.

Yield estimation have been revised upwards in many countries. Due to the rainfall in August and September, the sugar beet gained weight. However, the precipitation led to a thinning of the sugar content. If processing can take place as planned in all factories, the campaign will end at the end

of January 2022. In Finland, we expect the campaign to end as early as the end of November this year.

Digital beet logistics (Agri!og) was successfully introduced in Slovakia and Finland. The initial experiences in both countries are good and the programmes are running stably. This means that all countries in which we transport sugar beet are now supplied with digital logistics planning for sugar beet. In Finland, the first module, logistics planning, has been introduced, and the other tools will follow in 2022.

We have taken the railway project in northern Germany into its second year. Once again, sugar beet are transported by rail from Schleswig-Holstein to Uelzen and experience is gained. This year the beet will be loaded at the stations in Jübeck and now also in Brunsbüttel. A total of 60,000 tonnes are to be transported. The transport has got off to a good start.

The yield estimation for our three sugar mills in Australia has also been revised upwards. Unfortunately, we are currently having problems with processing, especially at the largest mill, Marian. Overall, the end of the campaign at MSL will be delayed until the rainy season, which starts in December. This could mean that not all the cane can be harvested. However, we will continue to try to prevent this through timely repairs.

Cooperation with SAI #GrowingABetterPlanet



Nordzucker has produced a video together with the SAI platform to highlight the importance of the Farm Sustainability Assessment (FSA) when sourcing sugar beet for Nordzucker. The "GrowingABetterPlanet" campaign aims to raise awareness among other food and beverage producers to join the SAI Platform and align themselves with common principles for sustainable agriculture. Currently, the SAI Platform has around 100 members who are engaged in an ongoing dialogue about what sustainable agriculture should look like in global supply chains.

Nordzucker has chosen to play a proactive role in the SAI Platform from the outset, introducing the Farm Sustainability Assessment (FSA) in all our countries and helping to develop the FSA from version 2.1 to the new version 3.0. In practice, this means that we share our positive and negative experiences by using a global standard and exchanging ideas on how to apply it to sugar beet and our beet farmers.

From a company perspective, there is something else for us, as Lars Gorissen explains: "The exchange with the members of the SAI platform gives us valuable insights into sustainable agriculture issues across the food and beverage sector. It also fits with a core belief in continuous improvement to prepare beet farming for the future."

The Video you can find [here](#).

SweetFamily-Newsletter – The easy way to delicious recipes



The golden autumn has begun - colourful, but also rainy it is coming our way. All the more important to sweeten the days with freshly harvested apples and pears and delicious smelling recipes. It gets even tastier with the latest tips and tricks from our SweetFamily team for homemade delicacies with caramel.

If you are interested in simple and delicious recipes, our promotions, new products and much more, you can have the SweetFamily newsletter sent regularly to your inbox, simply [subscribe](#) and browse.