

Press release

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2018/2019 balance sheet: Significant loss characterises the financial year

Strategic focus on sugar - Nordzucker about to enter cane sugar business

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- **Operating loss of 58.1 million euros**
- **Sales down 18 percent to EUR 1,354 million**
- **Equity ratio of 66 percent at previous year's level**

Nordzucker closed the 2018/19 financial year with a significant decline in revenues and an operating loss. This is the result of extreme market developments in the first full financial year without fixed quotas and minimum prices. In order to position the company profitably for the future, Nordzucker is focusing on sugar from beet and cane. The company also anticipates a loss for the current financial year.

In the 2018/2019 financial year (reporting date 28 February), Nordzucker achieved group revenues of EUR 1,354 million, down 18 percent on the previous year (EUR 1,650 million). The operating result (EBIT) amounted to minus 58 million euros (previous year: EUR 154 million). Due to the extreme market situation, the financial year closed with a net loss for the year of minus EUR 36 million (previous year: EUR 118 million).

Drastic fall in prices

Overall, the market situation in the first full year after the end of the quota system was characterised by significant overproduction within the EU and on the world market, fierce competition and historically low prices. This development was mainly triggered by production expansions through state subsidies in India and Thailand and coupled payments for beet cultivation in many EU countries.

Due to the earnings situation, a proposal will be made to Nordzucker AG's annual general meeting not to pay a dividend this year (previous year: EUR 1.20 per share).

The company's net assets and financial position remain stable. At 66 percent, the equity ratio is solid and exactly at the level of the previous year. Net investment fell to EUR 260 million (previous year: net investment of EUR 308 million).

Focus on sugar

The sugar market offers good long-term prospects despite the current low price phase and the largely unbalanced discussion about sugar in nutrition. Nordzucker expects global demand to continue to rise. "In the medium term, we expect prices to recover. Our strategic focus is clearly on sugar from beet and cane. Because sugar is a global growth market in which we want to participate," stresses Dr Lars Gorissen. The EU remains the core market for Nordzucker. "Politicians, however, must create a level playing field for our sustainable sugar production." The opportunities arising from the consolidation that is taking place in the EU are also being examined.

Transformation process launched

In order to realign the company and make it profitable and competitive, Nordzucker launched a comprehensive transformation process last year. The main building blocks for the adjustment are the realignment of the sales strategy with an adjusted product and service portfolio, a leaner organisation focused on the core processes in the sugar business and the permanent reduction of costs in all areas. The focus here is on savings in administration. "The lowest possible costs are the basic precondition for stability and competitiveness in volatile markets," says Gorissen.

Commitment to sugar cane business

In February this year, Nordzucker agreed to acquire a 70 per cent stake in Mackay Sugar Limited (MSL), Australia's second-largest sugar producer, and is thus planning to enter the cane sugar production market outside Europe. The transaction is subject to the approval of MSL's shareholders and a number of other conditions. Nordzucker expects the transaction to be successfully completed.

Outlook: Adapting to a new market environment

For the 2019/2020 financial year, Nordzucker expects continued negative results due to persistently low prices. However, a steadily growing global sugar market promises better prices in the medium term. With its focus on its core business of beet and cane, Nordzucker believes it is well positioned for future growth in Europe and beyond.

Background

The **Nordzucker Group**, based in Braunschweig, is Europe's second-largest sugar producer. The Group also produces bioethanol and animal feed from sugar beet. Eighteen production and refinery facilities across Europe form the technical, logistical and geographic basis for continued success. The Group has around 3,200 employees, who each strive towards providing excellent products and services.