

Press release

Issue 13 | 15 October 2018

Nordzucker AG: First half of the year sees sharp fall in earnings – losses anticipated

Braunschweig, Germany, 15 October 2018

- Revenues fall from EUR 845.5 million to EUR 689.6 million
- Net income for the period drops to EUR 11.6 million
- A loss in 2018/2019 is now unavoidable
- Significant losses expected in 2019/2020

The Nordzucker Group, Braunschweig, reported significantly lower earnings in the first half of 2018/2019, in line with expectations. This was the result of considerably lower prices and lower sales volumes of sugar. Losses are expected both in the current financial year and next year.

In the first six months of the 2018/2019 financial year, the Nordzucker Group generated revenues of EUR 689.6 million. This was 18 per cent below the revenues generated in the same period a year ago (previous year: EUR 845.5 million). At the same time, the company's profit for the period was significantly lower at EUR 11.6 million (prior-year period: EUR 87.7 million).

The main reason for the decline in business performance was the significant drop in sugar prices. Overproduction has been rife on the European sugar market since the sugar market regime came to an end. According to the EU's price reports, the sugar price has since fallen by more than EUR 140 per tonne and is now at a historical low. Slightly higher sales volumes for by-products and bioethanol in comparison with the same period of the previous year only slightly offset the drop in revenues.

Only lower production costs and positive one-off effects contributed to slightly positive earnings.

The world market price for sugar is also at its lowest point in ten years. This is due to the increase in production in India and Thailand. For the second year in a row, a significant production surplus is anticipated in India in the coming year, which will put further pressure on world market prices. Sugar production is heavily subsidized in India.

Outlook

This year's harvest and beet processing, which started in mid-September, will be affected by the unusually dry weather conditions. Because of these conditions, the campaign got off to a late start in several regions compared to the previous year, and is expected to end in January. Great regional yield disparities are anticipated. Nordzucker is expecting below-average sugar yields overall.

A loss is now inevitable for the Nordzucker Group in the current financial year due to the low sugar prices. Given the anticipated prices, an even more substantial loss is to be expected in the 2019/2020 financial year.

"Despite the grave market environment, we consider ourselves to be in a good position overall. The severity of the drop in prices on the world market, which is aggravated by India's subsidized sugar market, presents us with great challenges. We will continue to significantly increase our efficiency and optimize our processes and structures," explains CEO Dr Lars Gorissen.

The Interim Report for the first six months covers all commercial activities from 1 March to 31 August 2018.

Nordzucker's financial year runs from 1 March until the end of February.

The full Interim Report for the first six months can be found in the download centre at www.nordzucker.de.

Background

The Nordzucker Group, based in Braunschweig, Germany, is one of the leading sugar manufacturers in Europe. The Group also processes sugar beet into bioethanol and animal feed. Sustainability along the entire value chain is a top priority for the company. A total of 3,200 employees and 18 production and refinery facilities across the

Group ensure excellent products and services, thus providing a strong foundation for further growth.