Nordzucker

Pressemitteilung

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Financial statements 2017/2018: rapid drop in the price of sugar overshadows earnings in the past financial year

Significant decline in earnings expected in 2018/2019

Braunschweig, Germany, 24 May 2018

- **Net income of EUR 118 million**
- **Revenues down by 3 per cent to EUR 1,650 million**
- **Equity ratio of 66 per cent roughly matches previous year's level**
- **Dividend proposal of EUR 1.20 per share**

Nordzucker closed the 2017/2018 financial year with net income of EUR 118 million. As well as savings generated by the efficiency programme, stable market prices in the first three quarters of the year in particular contributed to the improved earnings figure. The rapid price drop in the final quarter of the 2017/2018 financial year has already negatively affected earnings for 2017/2018 and will result in a significant decline in earnings in the current financial year.

Nordzucker generated consolidated revenues of EUR 1,650 million in the 2017/2018 financial year (reporting date: 28 February), three per cent lower than in the previous year (EUR 1,708 million). The operating result (EBIT) came to EUR 154 million (previous year: EUR 131 million) and consolidated net income continued to improve year-on-year to EUR 118 million (previous year: EUR 99 million).

Overall, the earnings position in the past year of transition from a regulated market to a free market was significantly better than in the previous year, as expected. The Annual General Meeting of Nordzucker AG will be proposed a dividend of EUR 1.20 per share (previous year: EUR 1.10).

The Speaker of the Executive Board, Dr Lars Gorissen, commented at the press conference on the financial statements in Braunschweig: “Thanks to cost discipline and increased efficiency, we have established a solid basis to support us through volatile times. We see opportunities during this transition period with low prices which we will resolutely exploit.”

Oversupply results in price decline

The market environment changed significantly following the end of the sugar market regime on 30 September 2017. Predicted global sugar production surpluses have resulted in a drastic decline in prices. Increased acreage in the EU and an associated significant rise in the volume of sugar production have further increased the level of competition and price pressure.

In consequence, EU sugar prices likewise fell rapidly in the fourth quarter, in line with the trend on the world market. However, Nordzucker maintained its market position in overall terms.

Animal feed prices stable, slight decline for bioethanol

Overall, sales and price levels for animal feed produced from beet remained stable. Sales of molasses also remained stable in volume terms, even if prices declined slightly. Bioethanol production was flexible, in line with the market conditions, and prices fell slightly.

Efficiency programme successfully completed

In the past financial year, the company completed its long-term efficiency programme FORCE and almost reached its target level of EUR 50 million. This programme generated savings in every area of the company, with a particular focus on procurement, production planning and process optimization.

Solid capital resources for growth and investment

Nordzucker continues to have a stable net assets and financial position. Equity increased to EUR 1,429 million (previous year: EUR 1,375 million). The equity ratio also continued to rise to 66 per cent (previous year: 65 per cent). The company remains debt-free, and its net capital investments are at EUR 301 million almost at the same level as in the previous year (EUR 308 million).

The EU remains Nordzucker’s core market. The company’s capital resources provide it with security and open up opportunities to exploit the tense market phase and to secure and expand market shares.

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Nordzucker also has an eye on the growing global sugar market: “We will gradually become a company that operates globally,” says Dr Gorissen, and emphasizes: “In doing so, we will rely upon exports as well as production locations in other parts of the world.”

Nordzucker is continuing to make substantial investments to ensure the company’s future viability: in the past financial year, EUR 89 million was invested, above all, in cutting energy consumption and improving logistics, in measures to increase service and quality levels and in the optimization of processes and IT. Capital expenditure of EUR 110 million is planned for the current financial year.

Safeguarding yield increases for beet cultivation

Efficiency in beet cultivation and sustained yield increases will safeguard the competitiveness of the sugar produced in the EU. Restrictions on pesticide use due to recently approved bans or other bans in the pipeline will hinder this trend while directly affecting beet and sugar yields. “We have already launched a programme and are focusing on crop protection in our trials and our cultivation advice. Our growers urgently require alternatives,” the Speaker of the Executive Board reiterates.

Outlook: getting through and exploiting the challenging market phase

Worldwide, a significant sugar surplus is once again envisaged for 2018/2019, together with associated price pressure. Nordzucker therefore anticipates a significant decline in earnings for the current financial year and is seeking to avoid a loss. Nonetheless, the company sees itself as being strongly positioned in the competitive environment: “We have a sound financial basis and will get through this low-price phase and exploit it,” remarks Dr Lars Gorissen and continues: “Transition to a free market entails tough competition and a huge decline in prices. A new balance will result on the market. The way ahead will mean a shake-out of the EU market.”

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.

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