



8 February 2019

## **Circular to Shareholders and Growers**

### **Mackay Sugar signs agreement with Nordzucker for investment of up to \$120m**

Mackay Sugar is pleased to announce that it has executed a share subscription agreement with Nordzucker AG under which Nordzucker AG has agreed to subscribe for a 70% controlling interest in the share capital of Mackay Sugar Limited, subject to the approval of Mackay Sugar shareholders and a number of other conditions (“**Proposed Transaction**”).

Nordzucker is one of the leading sugar manufacturers in Europe and is headquartered in Braunschweig, Germany.

Chairman and CEO of Mackay Sugar Mark Day said “This is a very important announcement for Mackay Sugar and our community and follows an extensive evaluation process conducted by Nordzucker for a significant investment in Mackay Sugar. The MSL Board unanimously recommends the proposal to our growers and shareholders. It provides Mackay Sugar with a much more positive future and will allow us to restore the performance of the mills and local industry. Nordzucker is not only a leading sugar producer in Europe. As a grower owned sugar company with 180 years in the industry it has a heritage very similar to Mackay Sugar, which will stand all parties well going forward.”

CEO of Nordzucker, Dr. Lars Gorissen said “I am fully convinced that Nordzucker and Mackay Sugar fit together. Mackay Sugar has a tradition as a grower owned company, experienced growers and the potential to deliver sustainable positive earning contributions, for growers and us alike.”

### **Details of the Proposed Transaction**

In return for a 70% shareholding, Nordzucker will contribute \$60 million in equity and provide a shareholder loan of up to \$60 million to the company. The debt and equity contribution will be utilised in particular to undertake capital and maintenance works on the mills to significantly improve mill performance over the next few years and make the company profitable in the long term. The funding will also provide for the \$2/t grower contribution to be repaid and, additional working capital for such other uses as determined by the Board.

The \$2/t grower contribution will be repaid in two tranches, with the first to be paid within 30 days after completion of the Proposed Transaction and the second tranche payable 12 months later.

The Proposed Transaction will also result in a restructuring in the debt of Mackay Sugar following negotiations with Mackay Sugar’s financiers. The final amount of the ongoing facilities is yet to be agreed with Mackay Sugar’s financiers.

The Proposed Transaction will provide significant funds to restore the performance of the Mackay mills over the next few years and set the company up for a bright future.

The Proposed Transaction has the full support of the Board of Mackay Sugar but remains subject to a number of conditions precedent which must be satisfied before the Proposed Transaction can be concluded, including

- Approval by 75 percent of Mackay shareholders;
- Sale of the Mossman sugar factory;
- Amending the cane supply and processing agreement to reintroduce the CCS cane payment formula before the 2019 season;
- Agreement being reached with financiers in relation to the restructuring of debt;
- Adoption of a new constitution of Mackay Sugar to allow for the issue of converting preference shares to Nordzucker, to convert all existing voting and investment shares to ordinary shares, as well as a number of other necessary changes; and
- Other conditions precedent typical for a transaction of this nature, including Foreign Investment Review Board approval.

The company currently intends to put the Proposed Transaction to a vote of shareholders in the second quarter of 2019, subject to the timelines of all necessary approvals and conditions precedents.

A new Board of Directors will be formed after completion. All of the existing Mackay Sugar Limited Directors will resign from the Board following completion and there will be a process for the nomination of three grower representative Directors (including a Deputy Chairman) and the appointment of three Nordzucker Directors (including a Chairman). Grower Directors will be active growers who nominate for the Board and will then be selected by a selection subcommittee of the Board and Nordzucker.

### **Exclusivity**

Mackay Sugar remains subject to the previously announced exclusivity arrangement with Nordzucker which has been extended and will continue until the completion of the Proposed Transaction.

### **Next steps**

Mackay Sugar looks forward to working with Nordzucker to satisfy the remaining conditions and putting the transaction to shareholders.

Mackay Sugar and Nordzucker will be conducting a number of communication sessions with Mackay Sugar shareholders and growers in the coming months.

An extraordinary general meeting of Mackay Sugar shareholders will be held to vote on the Proposed Transaction in the coming months. Notices of meeting, including an independent expert's report evaluating the Proposed Transaction for the benefit of shareholders, will be distributed once the remaining conditions have been satisfied.

**The Board of Mackay Sugar emphasises that there is no guarantee of a concluded transaction. A number of conditions need to be satisfied in the next couple of months including a supporting vote from Mackay Sugar's existing shareholders.**

**The Nordzucker Group**, based in Braunschweig, Germany, is one of the leading sugar manufacturers in Europe, with 18 production and refinery facilities producing up to 2.7Mt of refined sugar annually. The Group also processes sugar beet into bioethanol and animal feed. Sustainability along the entire value chain is a top priority for the company. Nordzucker has approximately 3,200 employees producing its products and services to provide a strong foundation for further growth.

**Mackay Sugar Limited** is a public unlisted company and is Australia's second largest sugar milling company. MSL has four operating raw sugar mills, three in Mackay at Racecourse, Marian, Farleigh and another at Mossman, all in Queensland Australia. MSL employs around 900 people. Its revenue base includes mostly raw sugar as well as refined sugar, molasses and renewable energy. The four mills produce around 800,000 tonnes of raw sugar annually for both the domestic market and export distribution. MSL also holds a 25 percent interest in Sugar Australia, a sugar refining joint venture within Australia and New Zealand.

**Nordzucker website:** [www.nordzucker.de](http://www.nordzucker.de)

**Mackay Sugar Limited website:** [www.mkysugar.com.au](http://www.mkysugar.com.au)

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