



30 October 2018

Mackay Sugar receives non-binding indicative recapitalisation proposal

Mackay Sugar is pleased to announce that it has received a non-binding indicative proposal from Nordzucker AG to subscribe for up to 70% of the share capital of Mackay Sugar Limited (“**Indicative Proposal**”).

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

Details of the Indicative Proposal

The final amount of equity and/or debt to be contributed by Nordzucker remains subject to negotiation. The agreed capital contribution will be utilised to undertake capital improvements on the mills, provide additional working capital and repay the \$2/t grower contribution.

The \$2/t grower contribution is expected to be repaid in two tranches, with the first to be paid shortly after completion of the transaction and the second tranche payable 12 months later.

The Mossman Mill will not form part of the transaction and remains subject to the option granted to Far Northern Milling Pty Ltd.

The non-binding Indicative Proposal has received in-principle support from the board of Mackay Sugar but remains subject to a number of conditions, including:

- agreement on the equity/debt contribution and share structure;
- Foreign Investment Review Board approval;
- Nordzucker supervisory board approval;
- consent from Mackay Sugar’s financiers;
- approval of 75% of Mackay Sugar grower shareholders and investment shareholders;
- re-implementing the CCS cane payment system before the 2019 season;
- amendment to the Mackay Sugar constitution to allow for a majority investor and to convert the existing shares to reflect the finally agreed share structure; and
- finalisation of the legally binding transaction documents.

The transaction is scheduled to be completed in late March 2019 subject to binding agreement being reached between the parties and the timeliness of all necessary approvals.

Exclusivity

Mackay Sugar has agreed to an exclusivity period until the end of December 2018 so that the parties may finalise negotiations and transaction documentation. Mackay Sugar has agreed to customary terms in relation to the exclusivity arrangement.

Mackay Sugar has also agreed to reimburse Nordzucker for costs incurred of up to a customary amount if Mackay Sugar concludes a transaction with a different party during the exclusivity period.

Next steps

Mackay Sugar looks forward to working with Nordzucker to finalise binding transaction documents for a transaction to put to shareholders.

A number of communication sessions will be held with Mackay Sugar shareholders and growers.

In the meantime, the Board of Mackay Sugar emphasises that there is no certainty the Indicative Proposal will ultimately result in a binding offer or concluded transaction.

The Nordzucker Group, based in Braunschweig, Germany, is one of the leading sugar manufacturers in Europe, with 18 production and refinery facilities producing 2.7Mt of refined sugar in 2017/18. 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 around 3.200 employees ensure excellent products and services, thus providing 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

Mackay Sugar Limited website: www.mkysugar.com.au

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