Nordzucker

THE Sugar Company

Annual Report 2019/2020

CONTENTS

KEY FIGURES

YIELD RATIO

		2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
RoCE [1]	%	1.0	8.5	10.2	-3.8	**-0.9**
EBIT margin [2]	%	1.0	7.7	9.3	-4.3	**-1.0**
Total operating profitability [3]	%	5.6	13.2	13.8	0.7	**4.1**
Return on revenues [4]	%	1.0	5.6	7.0	-2.4	**-1.1**
Return on equity [5]	%	1.2	7.0	8.0	-2.5	**-1.2**
Redemption period [6]	*years*	-1.8	-1.4	-1.3	-28.9	**0.1**
Cash flow from operating activities per share	*EUR*	4.11	5.54	4.53	0.20	**-0.8**
Earnings (Group) *per share* [7]	*EUR*	0.32	2.00	2.38	-0.69	**-0.32**
Dividend *per share* [8]	*EUR*	0.10	1.10	1.20	0.00	**0.00**
Total dividend	*EUR m*	4.8	53.1	58.0	0.0	**0.0**

1 EBIT/Average capital employed
2 EBIT/Revenues
3 EBITDA/Revenues
4 Net income/Revenues
5 Net income/Equity
6 Net debt/EBITDA
7 Total income/Number of shares
8 Total dividend/Number of shares

KEY FINANCIAL FIGURES

		2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
Revenues	*EUR m*	1,607	1,708	1,650	1,354	**1,439**
EBITDA	*EUR m*	90	226	227	9	**60**
EBIT	*EUR m*	16	131	154	-58	**-15**
Net income for the period	*EUR m*	15	99	118	-36	**-15**
Cash flow from operating activities	*EUR m*	199	268	219	10	**-40**
Cash flow from investing activities	*EUR m*	-65	-119	-169	11	**-130**
Free cash flow [1]	*EUR m*	134	149	50	21	**-170**
Investment in property, plant and equipment and intangible assets	*EUR m*	60	84	89	106	**100**

1 Cash flow from operating activities + Cash flow from investing activities

BALANCE SHEET RATIO AT THE END OF THE FINANCIAL YEAR

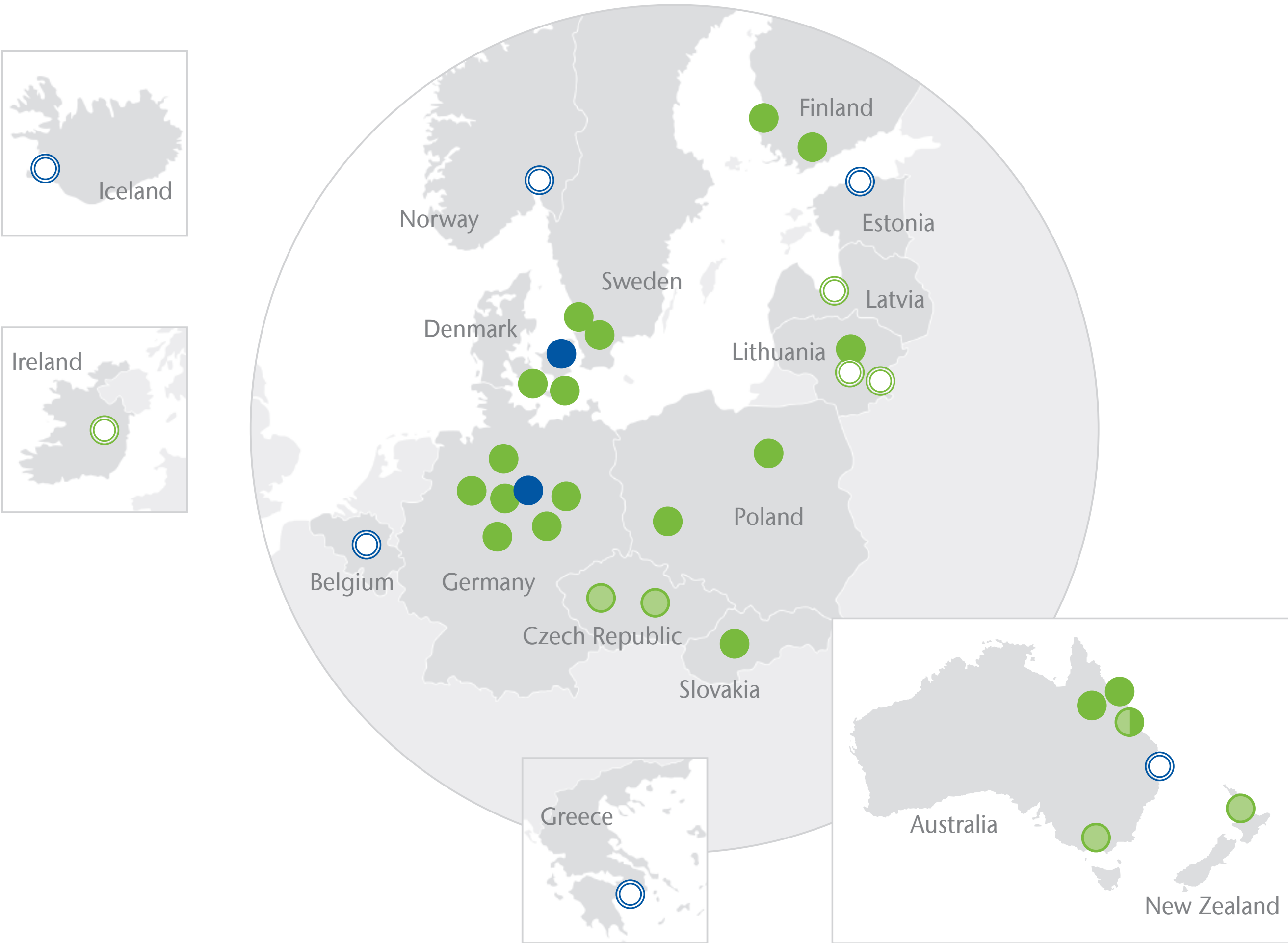
		2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
Total assets	*EUR m*	2,013	2,117	2,183	2,010	**2,219**
Shareholders' equity	*EUR m*	1,278	1,375	1,429	1,316	**1,280**
Equity ratio	%	64	65	66	66	**58**
Debt capital	*EUR m*	734	742	754	694	**940**
Capital employed	*EUR m*	1,600	1,500	1,511	1,541	**1,723**
Financial liabilities	*EUR m*	7	12	4	6	**95**
Cash and cash equivalents	*EUR m*	172	322	307	266	**139**
Net debt (–)/deposit (+) [1]	*EUR m*	164	308	301	260	**8**

1 Cash and cash equivalents – Financial liabilities

BEET CULTIVATION AND CAMPAIGN

		2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
Sugar yield	*t/ha*	11.6	12.5	12.2	11.4	**12.1**
Sugar content	%	17.5	17.7	17.3	18.9	**17.4**
Campaign length	*days*	88	103	117	102	**113**
Sugar production	*millions of tonnes*	2.00	2.50	2.70	2.40	**2.49**

NORDZUCKER: IN EUROPE AND AUSTRALIA



Administration

Germany	Head Quarters Braunschweig (Group)
Denmark	Administration Nordic Sugar, Copenhagen

Plants

Germany	Sugar factory Clauen Sugar factory / Liquid sugar plant Nordstemmen Sugar factory Uelzen Sugar factory Klein Wanzleben Bioethanol Klein Wanzleben Sugar factory Schladen Liquid sugar plant Groß Munzel
Denmark	Sugar factory Nakskov Sugar factory Nykøbing
Sweden	Sugar factory Örtofta Refinery / Liquid sugar plant Arlöv
Finland	Sugar factory Säkylä Refinery / Liquid sugar plant Porkkala
Lithuania	Sugar factory Kėdainiai
Poland	Sugar factory Opalenica Sugar factory / Refinery Chełmża
Slovakia	Sugar factory Trenčianska Teplá
Australia	Sugar factory Farleigh Sugar factory Marian Sugar factory / Refinery Racecourse

Sugar plants / refineries

non-consolidated minority stakes

Czech-Republic	Sugar factory Dobrovice Sugar factory České Meziříčí
Australia	Refinery Racecourse Refinery Yarraville
New Zealand	Refinery Auckland

Other locations

Latvia	Riga
Lithuania	Kaunas, Nordzucker Business Services Vilnius
Ireland	Dublin

Representation

Belgium	Office Brussels
Estonia	Tallinn
Norway	Oslo
Iceland	Reykjavík
Greece	Athens
Australia	Brisbane

THE EXECUTIVE BOARD

Dr Lars Gorissen
Chief Executive Officer (CEO)

With our competitive cost structures and our long-term strategy we will return to ensure positive results.

Axel Aumüller
Chief Operating Officer (COO)

We will now seek to improve the efficiency and reliability of our three plants in Australia by means of a targeted investment package.

Erik Bertelsen
Chief Marketing Officer (CMO)

We have reliably met the increased demand by panic buying in March.

Alexander Bott
Chief Financial Officer (CFO)

Positive results are realistic for 2020/2021.

DEAR SHAREHOLDERS,

The 2019/2020 financial year was an eventful and extraordinary year: we entered the field of cane sugar production and we achieved a better earnings figure than had been expected following the extreme drop of prices seen in the previous year.

Realignment of our sales strategy, significant streamlining of our organizational structure and extensive and long-term cost reductions have resulted in earnings which were still negative but were considerably better than in the previous year. Overall, the Nordzucker Group achieved an operating result (EBIT) of EUR –14.6 million, as against EUR –58.1 million in the previous year.

In late July 2019, we acquired a 70 per cent majority shareholding in Australia's second-largest sugar producer, Mackay Sugar Ltd. (MSL). We now have a presence outside Europe and are able to supply the local Australian sugar market as well as exploiting the export opportunities associated with the growth markets of South East Asia. We will now seek to improve the efficiency and reliability of our three plants in Australia by means of a targeted investment package. The campaign (Crushing Season) will run from June to December.

The outlook: a challenging environment due to coronavirus

Sugar prices on the world market and in the EU recovered over the past financial year due to a decline in production in Europe and an expected worldwide deficit, thus indicating a positive trend for 2020/21. However, since early March the coronavirus pandemic has resulted in entirely new framework conditions on the world market. Alongside the massive drop in oil prices, sugar prices have also slumped. Brazil is changing over from bioethanol to sugar production, and large export volumes are thus expected on the world market.

In Europe, demand for sugar products in the retail segment shot up in March 2020 due to panic buying. However, retail demand subsequently rapidly returned to more normal levels, and demand even fell once restaurants were closed or only able to operate under strict restrictions almost everywhere in Europe.

Thanks to the enormous commitment of our employees we met in all of the countries in which we operate the sudden increase in demand despite all of the challenges associated with logistics and more stringent hygiene and distancing measures. Many of our customers have expressly thanked us for this. They greatly appreciate our reliability as well as the quality of our products and logistics.

We have completed sowing as scheduled, our team is motivated to implement new investments and measures at our plants, and the necessary material is mostly available. The hygiene and distancing rules which remain necessary are now established and will be adjusted in line with the developing situation over the course of the campaign.

It is not currently possible to foresee the impact of the coronavirus pandemic on the level of demand or on prices. Accordingly, it is only possible to provide forecasts for the current financial year to a limited extent. At any rate, in the current 2020/2021 financial year our goal remains to again achieve positive earnings. Beyond this period and considering the fundamental data, we envisage an average price trend which will enable attractive beet prices, positive corporate results and appropriate dividends on the basis of our competitive cost structures and high beet yields.

Our strategy: a solid long-term positioning

In Europe, we expect sugar consumption to remain largely stable and assume that sugar consumption will continue to increase worldwide once the virus-related decline is over.

We are continuing to pursue the goal of expanding our cane sugar activities. In the EU, we intend to participate in a possible consolidation of the EU sugar market. We are also looking into opportunities to introduce further sugar or beet products to the market and will intensify our activities here.

We are focusing particularly on the social and political challenges associated with environmental protection. Besides our energy efficiency and closed-loop materials system which have proven themselves over a number of decades, we are also working on a further reduction in the volume of CO_2 released during our production process. We have launched our long-term project “GoGreen” to this end.

In beet cultivation, we are working on testing and research covering solutions for the reduced use of pesticides and fertilizers. Moreover, the effects of two years of significant drought and an equally dry start to the vegetation period in the current year mean that we and our growers need to establish new concepts. We have pooled a large number of activities here under the umbrella of “Smart Beet Initiatives”.

Thanks to our employees’ knowledge, expertise and dedication, we can look to the future with confidence and enthusiasm.

We have postponed our Annual General Meetings until October 2020 and hope that by then it will be possible to hold an event in person. We also intend to offer our shareholders the option of participating in the event online for the first time and hope that this will meet with a positive response from you.

Thank you for your support and for your dedication to Nordzucker. Together, we will take on and successfully master the challenges that lie ahead of us.

The Executive Board

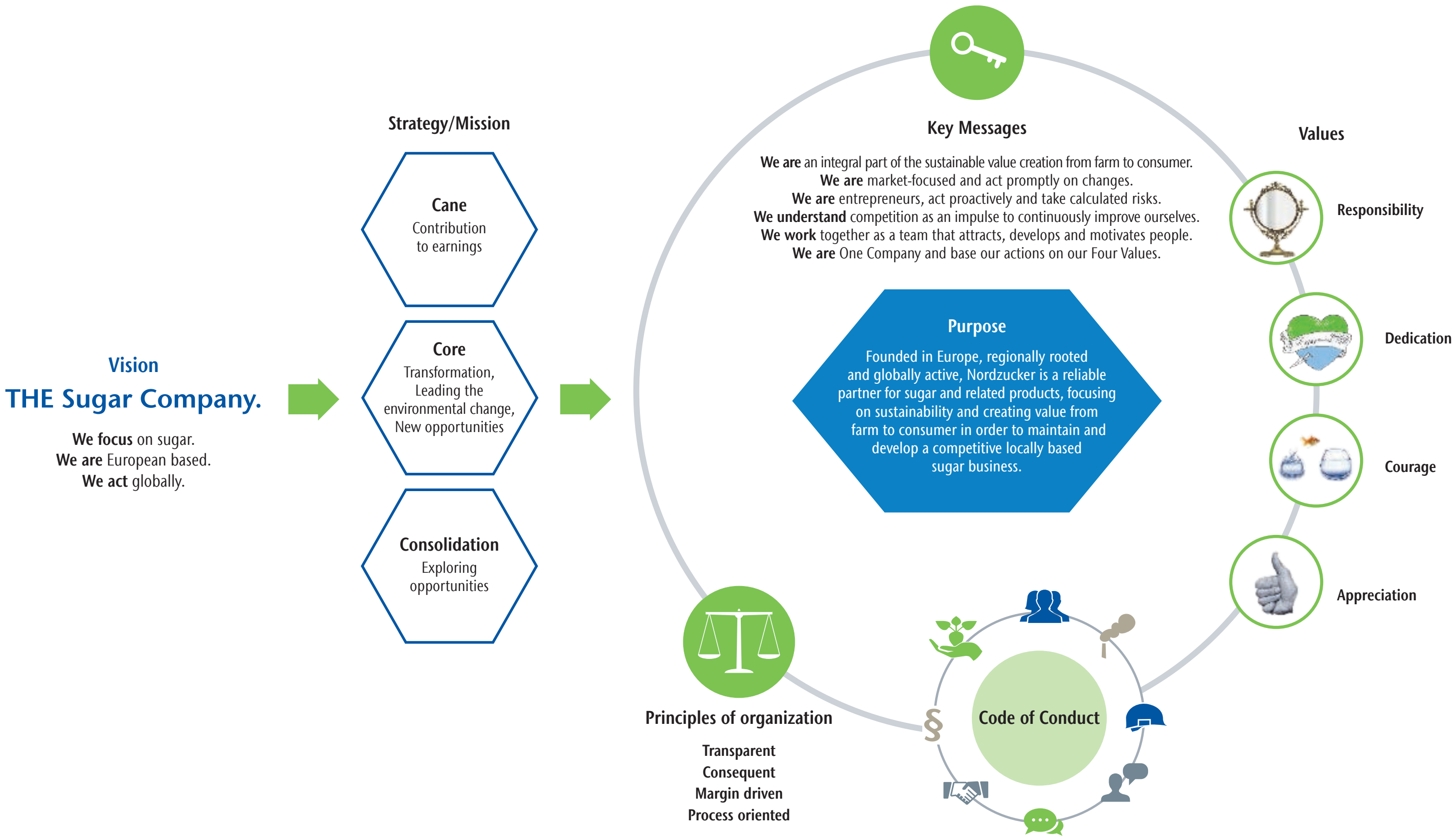
Lars Gorissen Axel Aumüller Alexander Bott

Dr Lars Gorissen Axel Aumüller Alexander Bott Erik Bertelsen

THE Sugar Company

The market constantly presents us with new challenges. We are driven by a clear purpose and focus, a balanced strategy and long-term plans. Our four values form the basis and firm foundation from which we derive our Code of Conduct, our key messages and our principles of organisation. We are constantly developing the company on the basis of this fundamental conviction.

Nordzucker Map



Group Management Report

2019 / 2020

GROUP MANAGEMENT REPORT OF NORDZUCKER AG

PRELIMINARY REMARKS ON THE CORONAVIRUS SITUATION

The coronavirus pandemic is having a major impact on the global economy and its scope is currently difficult to estimate. National governments have imposed drastic restrictions on public and private life. Nordzucker has likewise been affected at German and foreign sites.

In every country and at all its sites, Nordzucker has taken measures to prevent infections and to slow the spread of the disease while safeguarding the company's operational capacity.

In the present situation, Nordzucker is successfully meeting the increased demand for sugar as a staple food. The company is thus making it possible for its customers to maintain their production and retail operations. As a food manufacturer, our company and its sites are part of the "systemically relevant infrastructure" in the various countries in which Nordzucker operates.

At the same time, the current impact on the markets is huge. Following the slump in oil prices, world market prices for sugar have likewise suffered a significant decline since March 2020. These drastic market changes only occurred at the start of the new financial year and have therefore had no impact, or only an indirect one, on the annual financial statements for the past financial year.

Accordingly, in the following management report, the current and potential future effects of the coronavirus crisis are explicitly discussed in the forecast for the new 2020/2021 financial year, as well as in the passages on financing and the development of the sugar industry.

NORDZUCKER AT A GLANCE

Business activities

The Nordzucker Group, based in Braunschweig, Germany, is one of the world's leading sugar manufacturers. In the 2019/2020 financial year, the company produced 2.5 million tonnes of sugar from sugar beet in 13 sugar plants in seven European countries and 0.7 million tonnes of raw sugar from sugar cane in three plants in Australia. Last year the Group had an average of 3,539 employees at its 21 European and Australian production and refinery facilities.

Its beet and cane product range includes white sugar, raw sugar, refined sugar, specialities and liquid sugar. The company also produces animal feed, molasses, fertilizers and fuel from renewable energy sources as well as electricity.

In Europe, Nordzucker sells around 80 per cent of its sugar to customers in the food industry. The remaining 20 per cent or so is supplied to consumers via the retail industry. To a lesser extent, Nordzucker's products are also used by customers in the chemical industry. Our customers in the food industry include the confectionery industry as well as producers of dairy and bakery products, jams, ice cream and drinks. In Europe, Nordzucker also sells sugar products to consumers in various product categories and packaging sizes, primarily under the brand name SweetFamily and, in the Nordic countries, under the brand name Dansukker. Standard products are also sold to consumers under white-label brands.

The second-largest Australian sugar manufacturer Mackay Sugar Ltd. (MSL), in which Nordzucker acquired a 70 per cent majority shareholding on 31 July 2019, produces raw cane sugar for the domestic market and for export at its three locations in Racecourse, Marian and Farleigh. MSL has a 25 per cent share in the joint venture Sugar Australia Ltd. Within the framework of this joint venture, raw sugar is refined into white sugar in Racecourse, Yarraville and Auckland (New Zealand) and is marketed by Sugar Australia Ltd. and New Zealand Sugar Company. Additional quantities of raw sugar are exported, particularly to the growth markets in Asia.

Strategy

Nordzucker is a sugar company through and through. Founded in Europe, regionally rooted and globally active, the company reliably meets its customers' needs for sugar and related products. The company focuses on customer-oriented sugar distribution, efficient sugar production, and promotion of the competitive capacity of beet cultivation. The Group benefits from its focus on its core business, a strong market position in the EU, a distinct regional presence, and a solid financial base.

The sugar market in the EU has been deregulated since 1 October 2017; this has resulted in huge changes to market conditions and the price structure. Nordzucker prepared rigorously for this competition over a period of many years. By means of optimized production and volume planning, a comprehensive transformation and cost-reduction programme and the realignment of its sales strategy, the company was able to cope with the significant pricing and competitive pressure: though it suffered some losses, it was strengthened for the future. Nordzucker is a stable sugar company with profitable prospects on the deregulated market.

In order to remain competitive in a deregulated market, it is necessary to reduce costs on an ongoing basis. By 2022/2023, administrative expenses are to be cut by EUR 40 million. This measure involves a EUR 20 million reduction in administrative costs, plus an additional EUR 20 million reduction in personnel expenses in administrative areas. Further cost reductions and effects totalling EUR 25 million are planned in production, logistics and sales. Significantly more than one-third of these cost reductions were already realized in the 2019/2020 financial year. Despite a recovery of EU prices, the company continues to ensure its long-term profitability by pursuing its cost-reduction strategy.

Nordzucker AG

Nordzucker GmbH & Co. KG, Braunschweig/Germany	100 %	Nordic Sugar A/S, Copenhagen/Denmark	100 %	AB Nordic Sugar Kėdainiai, Kėdainiai/Lithuania	70,60 %
Norddeutsche Flüssigzucker GmbH & Co. KG, Braunschweig/Germany	70 %	Nordic Sugar AB, Malmö/Sweden	100 %	UAB Nordzucker Business Service Center Kaunas/Lithuania	100 %
		Nordzucker Ireland Ltd., Dublin/Ireland	100 %	Nordzucker Polska S.A., Opalenica/Poland	99.87 %
		Sucros OY, Säkylä/Finland	80 %	Považský Cukor a.s., Trenčianska Teplá/Slovakia	96.80 %
		Suomen Sokeri OY, Kantvik/Finland	80 %	Mackay Sugar Limited Ltd., Mackay/Australia	70 %

Beet cultivation is the basis for the company's core business in Europe. Key areas of focus are attractive contract offers with varying price models and continued promotion of the competitiveness of beet compared with other crop plants, thanks to its higher yields. The company is meeting the particular challenges in the face of political and social demands for more environmentally sustainable agriculture by implementing a variety of initiatives and field trials to improve yields, and by developing digital offerings for growers. Across the Group, these measures are being collectively implemented as part of the company's “Smart Beet” initiative.

The focus of investments in the core business is on the expansion of customer-oriented logistics, a continued increase in efficiency – including the expansion of Nordzucker's sugar plant in Sweden and the bundling of activities at a single site – and energy savings. The company also consistently pursues the reduction of CO_2 emissions. Among other measures, preparations are currently being made for the conversion of all European plants to gas by 2030. The company plans to completely stop using fossil fuels in favour of renewable energy in 2050.

Moreover, sugar beet is a natural product. Almost no waste incurs during its production into sugar. Nordzucker is examining alternative uses for sugar beet and sugar for everyday products, in addition to their traditional use as food. This is one of our key areas of research for the future.

On 31 July 2019, Nordzucker expanded its European sugar business through its acquisition of a majority shareholding in the Australian sugar producer Mackay Sugar Ltd. An extensive investment package will be provided to stabilize the availability of its plants; additional efficiency measures will also be implemented. At the same time, it is important to increase cane yields. The company is examining further options for increased cane sugar activity in other countries as well.

Despite dissimilar political conditions due to coupled payments and varying requirements for crop protection, the company continues to expect consolidation in the EU sugar market. It will continue to analyze and pursue any resulting opportunities, in line with its strategy.

Company management and organization

The Nordzucker Group is managed by an Executive Board made up of several members. The Executive Board reports to the Supervisory Board, which has 15 members, of which ten represent the shareholders and five the employees.

Since late 2014, Nordzucker has taken a functional approach to management and control. However, following the introduction of its new organizational structure in November 2019, the managing directors of the Group's national companies have been given increased local responsibility for the core process, which comprises agriculture, production, distribution and logistics. The management level below the Executive Board has been significantly reduced as part of these changes. At the Executive Board level, duties are divided by division headed by officers responsible for agriculture, production, marketing and sales, and finance.

Internal control of the Nordzucker Group is carried out by margin management. This means all decisions must be oriented to the profit margin that is to be realized. In addition, the focus on process thinking prioritizes benefits for internal and external customers. The combination of these two performance indicators results in profit-oriented, effective and efficient management.

Within the scope of the company's margin orientation, we focus on our EBIT margin. The financial indicators system also includes the RoCE, net income, the equity ratio, net debt, and free cash flow as key performance indicators. RoCE and the EBIT margin measure the profitability of the operating business, while net income for the period measures profitability from the perspective of the owners. RoCE corresponds to the ratio of EBIT to the average capital employed. By comparing the RoCE actually achieved with the expectations of our shareholders and lenders (known as the "cost of capital"), we can measure whether our lenders have generated a return on their capital employed that is in line with market conditions. The other key financial indicators – equity ratio, net debt and free cash flow – measure the company's financial stability, financing leeway and the generation of cash flow within the business.

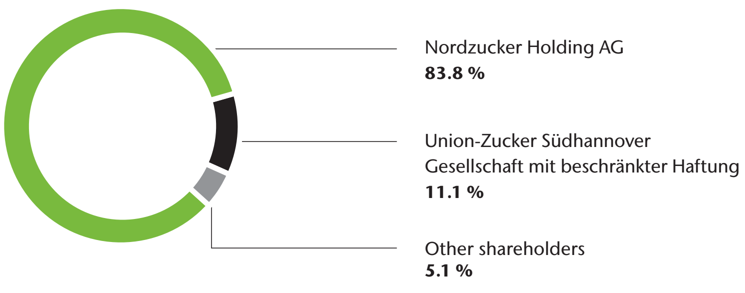
Following the end of the sugar market regime and in view of the resulting consequences, Nordzucker has redefined its targets for specific financial indicators. Since the 2018/2019 financial year, it has pursued a target EBIT margin of 6 per cent.

At the same time, non-financial performance indicators are important for managing all areas of the company. Here, the company tracks a large number of key indicators relating to sustainability. These reflect the significance of environmental aspects, as well as product quality and occupational health and safety, for example. The development of these key indicators and their target achievement are also reported regularly on the Group's website.

Shareholder structure of Nordzucker AG

Nordzucker Holding AG holds 83.8 per cent of the shares in Nordzucker AG. A further 11.1 per cent is held by Union-Zucker Südhannover Gesellschaft mit beschränkter Haftung. 5.1 per cent of the capital is held by other shareholders. Nordzucker AG shares are not traded on a stock exchange. A large proportion of the shareholders in Nordzucker Holding AG and Nordzucker AG, as well as the shareholders of Union-Zucker Südhannover Gesellschaft mit beschränkter Haftung, are also active growers who sell their beet to Nordzucker AG. No single shareholder of Nordzucker Holding AG has more than 25 per cent of the shares.

SHAREHOLDER STRUCTURE OF NORDZUCKER AG



MACROECONOMIC SITUATION

According to the Organisation for Economic Co-operation and Development (OECD), global economic growth declined in 2019. While global gross domestic product (GDP) had increased by 3.5 per cent in 2018, growth in 2019 came to 2.9 per cent. According to the OECD, global growth is being adversely affected by the high level of uncertainty associated with the trade tensions between the USA and China in particular. According to the European Commission, growth in the EU also decreased significantly to 1.1 per cent, and was lower than in the previous year (2.2 per cent).

Economic momentum has also significantly declined in Germany. According to the German Federal Statistical Office, economic growth in Germany came to 0.6 per cent in 2019, compared to 1.5 per cent in the previous year. This is significantly below the average European level. The generally slower rate of growth in Germany has been attributed to the automotive industry in particular. As in previous years, in view of the low interest rates and the high level of employment, the construction industry and private consumption were the main sources of German growth.

THE SUGAR MARKET

Sector developments

World sugar market

According to the market research institute F. O. Licht, in the 2018/2019 sugar marketing year (1 October 2018 to 30 September 2019) global production and consumption were at roughly the same level. However, the clear surplus of 9.6 million tonnes in 2017/2018 continued to have an impact on sugar prices over a period of many months. This mainly resulted from a huge increase in production in India, from 22.1 million tonnes in 2016/2017 to 35.3 million tonnes in 2017/2018. In addition, production increased considerably in Thailand, from around 10.3 million tonnes to 15.0 million tonnes. In the 2018/2019 sugar marketing year, production in Thailand and India remained at the same high level as in the previous year. However, the surpluses were offset by a decline in production in the EU due to the drought and decreasing sugar production in favour of ethanol production in Brazil.

For the current 2019/2020 sugar marketing year, global production is expected to once again decline, by 8.8 million tonnes (–4.8 per cent on the previous year), while consumption will increase slightly, by 0.6 million tonnes. This corresponds to an expected worldwide deficit of 9.6 million tonnes and thus a significant depletion of global stocks.

In view of these forecasts, prices on the world market recovered: white sugar prices stagnated at a low level between EUR 282 and 307 per tonne for the first 10 months of the reporting year (March 2019 to February 2020), before rising from January 2020 onwards. The London No. 5 quoted price was EUR 383 per tonne in February 2020.

However, after the reporting date the sugar price fell significantly, following the slump in oil prices in the wake of the coronavirus pandemic. This trend is discussed in further detail in the forecast report.

The sugar market in the EU

The European Commission estimates that sugar manufacturers in the EU produced around 17.6 million tonnes of sugar (excluding isoglucose) in the 2018/2019 sugar marketing year. The production volume was thus much lower than in the previous year. With the increased imports compared with the previous year (2.5 million tonnes were imported, of which 1.9 million tonnes of sugar and 0.6 million tonnes of products containing sugar), the European market was adequately provided for. Amid continuing weak world market prices, the European Commission calculated an export volume of 3.3 million tonnes (of which 1.6 million tonnes of sugar and 1.7 million tonnes in products containing sugar) and a level of consumption in the EU of 17.3 million tonnes (of which 0.8 million tonnes for bioethanol). As of 30 September 2019, the EU's final stocks amounted to 1.8 million tonnes.

Prices remained at a low level due to the supply situation in the EU and the weak global market. The 2018/2019 sugar marketing year started in October 2018 with an average price reported by the European Commission of EUR 321.This represented a strong decline compared with the previous months. In September 2019, the average price was still only EUR 328 per tonne of white sugar.

The 2019/2020 sugar marketing year (1 October 2019 to 30 September 2020) has not yet come to an end. The European Commission estimates that production reached a level of 17.3 million tonnes, which represents a further decrease of 0.3 million tonnes by comparison with the previous sugar marketing year. In view of the low price level on the EU's sugar market, imports, at 2.6 million tonnes (of which 2.0 million tonnes of sugar and 0.6 million tonnes of products containing sugar), are expected to remain at a low level. The predicted volume of exports in the amount of 2.9 million tonnes (of which 1.2 million tonnes of sugar and 1.7 million tonnes of products containing sugar) will cause final stocks to decline to 1.5 million tonnes, with a level of consumption of 17.3 million tonnes (of which 0.7 million tonnes of bioethanol).

At the start of the sugar marketing year (October 2019), EU white sugar was pricing at EUR 332 per tonne. A slight recovery of the price curve is indicated in the development of the current sugar marketing year to date. The price in January 2020 was reported as EUR 360 per tonne.

However, it is possible that the coronavirus pandemic will also affect the EU price trend.

Business performance in Europe

Industrial customer business

Most of the company's sugar customers are food or drink manufacturers. A small portion of its sugar is sold to the chemical industry. Nordzucker supplies customers both within and outside the EU.

The significant overproduction of sugar as a result of the deregulation of the EU market, together with low world market prices, resulted in the protracted stagnation of sugar prices at a low level. A slight price recovery only ensued in the final months of the current financial year, when a decline in production quantities caused higher prices. Exports from the EU were significantly reduced due to the comparatively low world market prices. The market focus was on Europe. The level of demand for sugar among customers in the EU food industry remained stable relative to the previous year. Business was expanded in several markets in South-Eastern Europe.

Overall, the company's business performance was marked by stable to slight increases in sales volumes in the EU, a limited volume of exports, and slightly rising prices toward the end of the financial year.

Retail customer business

The retail business includes customers in food retailing as well as discount and drugstores.

Prices picked up in the final months of the financial year, in line with the sugar prices in the industrial customer business.

Retail sales fell slightly in favour of sales in the industrial segment. This was particularly the case in some regions of Eastern Europe, where a decline in volumes was accepted deliberately because of the higher price level in the industrial customers segment. A further factor was the weather-related reduced availability of fruits and berries in the summer months. This dampened the demand for corresponding sugar products for use in jams and jellies.

Overall, the company's business performance was characterized by a slight decline in sales volumes and slight price increases at the end of the financial year.

Business performance in Australia

MSL sees itself as a raw sugar manufacturer in a commodity market. The price of sugar in the Australian market is thus closely linked to the price of sugar on the world market and is accordingly volatile. Prices only picked up significantly in January, at the end of the financial year, with corresponding effects on the revenue trend.

MARKET FOR ANIMAL FEED AND MOLASSES

Sector developments

Nordzucker produces pressed pulp, dried pulp pellets and molasses and distributes these products to the mixed feed industry and consumers in particular. A portion of its molasses is also sold to the fermentation industry. The quantities produced are dependent on sugar production.

The markets for these products developed differently during the reporting year. Pressed pulp is traded in local markets close to Nordzucker's plants. Due to the dry summer of 2018, both pressed pulp and alternative products were in short supply, so that the price level remained stable.

Dried pulp pellets are mainly produced at Nordzucker's German and Northern European plants. Due to the scarcity of alternative feeds in 2018, many customers stocked up. This resulted in low demand at the start of the financial year and a decrease in prices. Prices stabilized again beginning in late summer 2019.

Sugar beet molasses competes with molasses from sugar cane, which is traded internationally. Over the course of the year, declining global sugar production quantities resulted in a shortage of cane molasses and thus led to rising prices. From late 2019 onwards, this affected the price trend for beet molasses.

Business performance

The sales and price trends for pressed pulp were stable and at a good level compared with the previous year. Dried pulp pellets suffered price falls at the start of the year that could be nearly regained by year end. In the molasses market, Nordzucker benefited from rising prices over the course of the year under review.

MARKET FOR BIOETHANOL

Sector developments

Demand for bioethanol for fuel mixing came to an estimated 4.8 million tonnes in 2019 in the EU. This was 4 per cent higher than in the previous year, only slightly exceeding the local production volume of roughly 4.4 million tonnes. In Germany, demand for bioethanol for fuel mixing fell to roughly 1.16 million tonnes, which represents a decrease of 2.2 per cent on the previous year. Demand for petrol rose by 1.0 per cent in Germany year-on-year, which meant that a decreased proportion of bioethanol was added.

In the 2019/2020 financial year, the price of bioethanol for fuel mixing once again fluctuated very strongly, with a difference of more than EUR 186 per m^3 between the highest and lowest prices. However, it was significantly higher (EUR 620 per m^3 on average) than in the previous financial year.

Business performance

Nordzucker processes beet supplies in Germany to produce either sugar or bioethanol, depending on the respective market situation. Due to the decision to use available raw materials for sugar production, bioethanol production was interrupted from December 2018 to August 2019. The volume of bioethanol production was therefore 44 per cent lower in the 2019/2020 financial year than in the previous financial year. In order to optimize earnings in a positive market environment, bioethanol production was maximized from December to mid-January 2020. Following this however, it was temporarily interrupted once again in order to ensure the company's ability to supply its sugar customers.

Nordzucker markets bioethanol in the fuel market as well as in its traditional area of use as industrial alcohol. Bioethanol was still primarily sold in Germany and thus at reduced freight costs. At 84 per cent, the proportion of bioethanol sold for fuel mixing was higher than in the previous year. In this segment, Nordzucker realized prices that were significantly higher than in the previous year.

BEET CULTIVATION AND SUGAR PRODUCTION

Main planting in Nordzucker's German growing area took place in early April, in very good conditions. Due to cool weather in May, row closure was delayed to mid-June despite the relatively early sowing. As in the previous year, it was far too dry in the summer months in most regions of Northern Germany. Only Schleswig-Holstein, Mecklenburg-Western Pomerania and the Schladen area received adequate rainfall. This unequal distribution of rainfall was also reflected in the yields: while sugar yields exceeded the long-term average in South-Eastern Lower Saxony (Schladen region), Mecklenburg and Schleswig-Holstein, this was not the case in any of the company's other regions. In particular, the Klein Wanzleben area experienced its second consecutive drought year and once again suffered significantly below-average yields. Strong rainfall did occur in late September/early

October throughout Nordzucker's German growing area and led to a significant increase in beet yields. This simultaneously led to a significant drop in sugar content, so that the sugar yield was at the same low level as the previous year. With a sugar yield of 12.8 t/ha, the sugar yield in Germany clearly fell short of its long-term average (13.4 t/ha).

There were above-average growth conditions in Nordzucker's Scandinavian growing regions (Denmark, Sweden and Finland) and in Lithuania. This resulted in significantly above-average sugar yields in some cases.

In Poland and Slovakia, the sugar yields were below average due to the extremely dry weather. Severe infestation by leaf diseases resulted in a significantly below-average sugar content (15.6 per cent) in Slovakia.

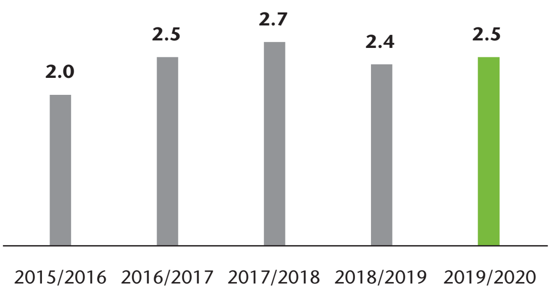
The average beet yield across the Group was 69.3 tonnes per hectare (previous year: 60.2 tonnes per hectare). The sugar content came to 17.4 per cent (previous year: 18.9 per cent), which represented an average sugar yield of 12.1 tonnes per hectare (previous year: 11.4 tonnes per hectare).

During the 2019/2020 campaign, Nordzucker produced some 2.5 million tonnes of sugar from beet across the Group (previous year: 2.4 million tonnes). The campaign lasted for 113 days, which was slightly longer than the previous year (102 days).

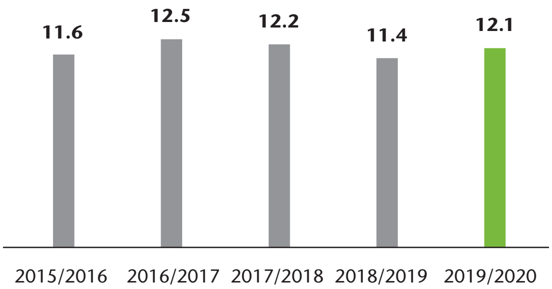
During the 2019/2020 campaign, organic sugar beet was cultivated for Nordzucker In Germany, Denmark, Sweden and Lithuania and was processed at its Schladen, Nyköbing and Kėdainiai plants in accordance with EU regulation No 834/2007 on organic farming.

In Australia, the harvest and processing period ("crushing season") was completed in early December 2019 prior to the start of the rainy season. Dry weather conditions during the crushing season resulted in a slightly below-average sugar cane yield of around 72.9 tonnes per hectare, with a slightly above-average sugar content of 14.02 per cent. Around 0.7 million tonnes of raw sugar were produced at MSL.

SUGAR PRODUCTION NORDZUCKER GROUP
in millions of tonnes



AVERAGE SUGAR YIELD NORDZUCKER
tonnes per hectare



EARNINGS AND FINANCIAL POSITION AND NET ASSETS

The 2019/2020 consolidated statement of financial position has been significantly affected by the first-time consolidation of MSL. MSL has been incorporated in the Nordzucker Group since its acquisition on 31 July 2019, with a short financial year of seven months. Accordingly, for some income statement and balance sheet items, a comparative figure has been provided for increased transparency. This presents the situation for the Group as though MSL had not been acquired. Selected key indicators are initially reported including MSL, and without MSL thereafter. Comparative figures for the previous year are added where reasonable and feasible.

At the date of acquisition of Mackay Sugar Ltd., a purchase price allocation was recognized in accordance with IFRS principles. The cost was allocated to the acquired assets, liabilities and contingent liabilities at fair values.

Earnings position

Compared with the previous year, the earnings position of the Nordzucker Group including MSL has significantly improved. This mainly reflects a price increase beginning in the new sugar marketing year and a significant cost reduction within the scope of the transformation and cost-reduction programme.

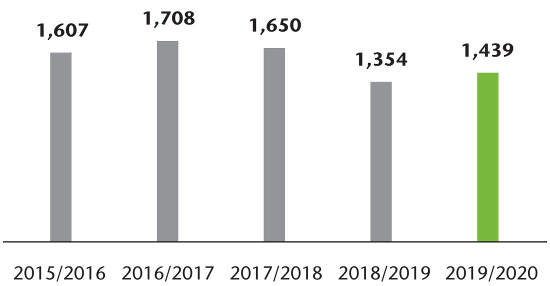
The Group's profitability is measured using the key indicators RoCE, EBIT margin and net income for the period.

RoCE, which reflects the ratio of EBIT (operating result) to the average capital employed, came to –0.9 per cent in the reporting year (previous year: –3.8 per cent). This means that the company once again failed to achieve its objective of at least earning the cost of capital.

The EBIT margin is calculated based on the ratio of EBIT to revenues. In the year under review, this figure came to –1.0 per cent (without MSL: –1.1 per cent/previous year: –4.3 per cent). The net loss for the year amounted to EUR 15.4 million (without MSL: EUR –17.2 million), compared with a net loss of EUR 35.8 million for the previous year.

Revenues increased by EUR 84.7 million, from EUR 1,353.8 million in the previous year to EUR 1,438.5 million. Without MSL, total revenues amounted to EUR 1,324.0 million and thus declined by EUR 29.8 million. This decrease in revenues has mainly resulted from lower sugar prices and reduced sales volumes of bioethanol.

CONSOLIDATED REVENUES
in EUR m



Revenues totalling EUR 1,147.8 million were generated from sugar (previous year: EUR 1,069.3 million). Without the share provided by MSL, revenues amounted to EUR 1,052.7 million, corresponding to a decrease of EUR 16.6 million. This trend mainly reflected the lower sugar price by comparison with the previous year. The slight increase in sales volumes was not able to compensate.

Revenues from the sale of bioethanol came to EUR 33.5 million, which was lower than the previous year's figure of EUR 49.1 million. This was mainly due to reduced sales volumes. Revenues from animal feed include revenues from the sale of molasses, dried pulp pellets and pressed pulp. They amounted to EUR 172.5 million in total. Without MSL, revenues from animal feed were at EUR 163.3 million, largely at the same level as in the previous year (EUR 162.8 million). A higher sales volume for molasses compensated for the decline in pellets sales. On average over the past year, the price level for pellets and molasses was almost unchanged from the previous year. Other revenues increased from EUR 72.5 million to EUR 84.7 million.

Production costs came to EUR 1,205.7 million in the reporting period (previous year: EUR 1,169.7 million). Without MSL, the production costs amounted to EUR 1,105.0 million. This decrease mainly reflects significantly reduced impairment of EUR 4.0 million (previous year: EUR 31.6 million) as well as lower bioethanol sales volumes.

Distribution costs totalled EUR 176.9 million. Without MSL, at EUR 171.6 million distribution costs were slightly lower than the previous year's figure of EUR 172.3 million. Expenses for rentals, land leasing and outside warehousing costs declined compared with the previous year, though this was counteracted by higher freight costs.

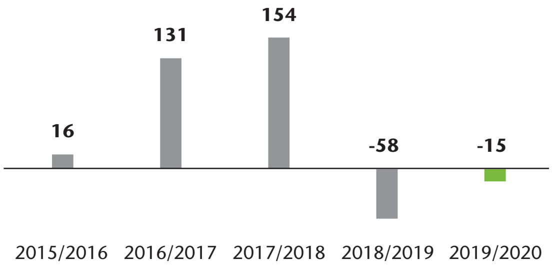
Administrative expenses amounted to EUR 70.7 million in the year under review. Without MSL these would have been EUR 60.8 million, considerably lower than the previous year's figure of EUR 69.6 million. This decrease is mainly attributable to cost-reduction measures.

Production, sales, administrative and other expenses included total personnel expenses of EUR 229.0 million (previous year: EUR 203.4 million) as well as EUR 72.7 million (previous year: EUR 65.2 million) for depreciation of property, plant and equipment and of intangible assets (without MSL: EUR 70.7 million). Without MSL, personnel expenses amounted to EUR 200.4 million and declined slightly. This was also a result of measures initiated through the current cost-reduction programme. Collective wage increases and bonus payments partially reduced the savings generated.

Other income came to EUR 32.3 million and was therefore well below the previous year's figure of EUR 37.9 million. This was mainly attributable to the loss of income from the reimbursement of production levies. Conversely, foreign currency gains increased to EUR 10.8 million (previous year: EUR 7.0 million), but contrasted with significantly higher foreign currency losses of EUR 13.2 million (previous year: EUR 7.7 million) which were reported under other expenses.

Other expenses came to EUR 32.2 million in the year under review and were therefore well below the previous year's figure of EUR 38.2 million. This was due in particular to a significant decrease year-on-year in expenses from additions to provisions in the area of human resources.

CONSOLIDATED EBIT
in EUR m



In total, the Nordzucker Group reported an operating result (EBIT) of EUR –14.6 million (without MSL: EUR –15.0 million), as against EUR –58.1 million in the previous year. The operating result before depreciation, amortization and impairment (EBITDA) improved to EUR 59.6 million (without MSL: EUR 55.7 million, previous year: EUR 9.0 million).

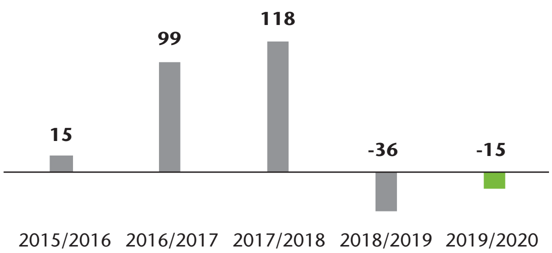
Financial income fell from EUR 15.0 million in the previous year to EUR 3.5 million (without MSL: EUR 1.8 million). Particular reasons for this in the period under review were the non-application of the previous year's one-off effect of interest income from the reimbursement of production levies as well as reduced investment income.

Financial expenses are largely made up of interest and similar expenses. Finance costs increased to EUR 9.6 million, following the previous year's figure of EUR 7.4 million (without MSL: EUR 5.3 million). This was mainly due to interest charges as a result of MSL's existing financing arrangements.

Due to the negative pre-tax earnings of EUR –16.2 million, there was low tax income of EUR 0.8 million. This represents a tax ratio of 4.8 per cent.

Overall, the Nordzucker Group registered a net loss before minority interests of EUR –15.4 million, compared to EUR –35.8 million in the previous year (without MSL: EUR –17.2 million). After deduction of minority interests, this resulted in consolidated comprehensive income of EUR –15.4 million, compared with EUR –33.1 million in the previous year.

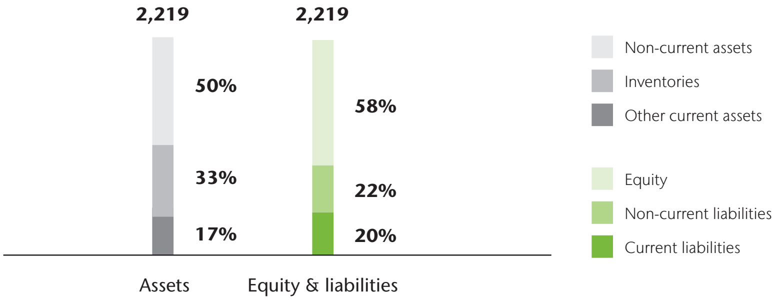
CONSOLIDATED NET INCOME
in EUR m



Net assets position

Total assets for the Nordzucker Group amounted to EUR 2,219.2 million at the end of the reporting year, an increase of EUR 209.1 million on the previous year's figure of EUR 2,010.1 million. This increase was due to the first-time consolidation of MSL.

BREAKDOWN OF THE ASSETS AND LIABILITIES MAKING UP THE 2018/2019 BALANCE SHEET TOTAL
in EUR m



Intangible assets decreased slightly by comparison with the previous year (EUR 19.5 million) and amounted to EUR 18.4 million.

In the reporting year, the Nordzucker Group invested EUR 97.4 million (previous year: EUR 102.2 million) in property, plant and equipment. Capital expenditure was offset by current depreciation and amortization of EUR 69.3 million (previous year: EUR 62.1 million) and other impairments of EUR 0.8 million (previous year: EUR 1.2 million). Overall, property, plant and equipment increased to EUR 956.6 million (without MSL: EUR 883.0 million) by comparison with the previous year (EUR 859.8 million).

Financial investments came to EUR 96.7 million and were significantly higher than in the previous year (EUR 29.7 million) due to the acquisition of MSL.

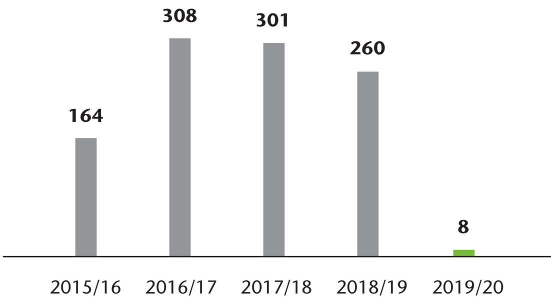
Inventories increased by EUR 79.2 million, from EUR 645.9 million to EUR 725.1 million (without MSL: EUR 678.3 million). At EUR 64.7 million (without MSL: EUR 58.1 million), raw materials, consumables and supplies were slightly higher than in the previous year (EUR 55.5 million). Unfinished goods and services of EUR 57.1 million were largely unchanged on the previous year (EUR 55.6 million). Finished goods and merchandise increased by EUR 68.4 million (of which EUR 40.2 million from MSL) to EUR 603.2 million (previous year: EUR 534.8 million).

Current receivables and other assets were EUR 254.7 million (without MSL: EUR 219.6 million), which is EUR 73.7 million higher than the previous year's level (EUR 181.0 million). Trade receivables and receivables from related parties increased to EUR 181.0 million (without MSL: EUR 151.0 million), compared to EUR 126.0 million in the previous year. Current income tax receivables amounted to EUR 4.7 million (previous year: EUR 1.7 million).

Current financial and other assets increased by EUR 15.7 million to EUR 69.0 million (without MSL: EUR 63.9 million) on the previous year (EUR 53.3 million). This was mainly attributable to a purchase of CO_2 certificates.

As of the reporting date, cash and cash equivalents exceeded financial liabilities by EUR 8.0 million (previous year: EUR 260.0 million). Without MSL, cash and cash equivalents amounted to EUR 132 million. The definition of deposit and net financial liabilities was expanded by comparison with the previous year to include other current and non-current financial liabilities, since MSL also reports interest-bearing liabilities to third parties in these items.

NET DEBT (–) DEPOSIT (+)
in EUR m



Equity decreased by EUR 36.2 million in total to EUR 1,279.6 million (previous year: EUR 1,315.8 million). Consolidated net income for the period reduced equity by EUR 15.4 million (previous year: reduction of EUR 35.8 million). Equity was also reduced by other income of EUR –38.1 million recognized in other comprehensive income and in the statement of comprehensive income (EUR –28.2 million from the remeasurement of defined benefit plans after adjustment for deferred taxes and EUR –9.9 million from other matters). This was offset by EUR 17.2 million, particularly from non-controlling interests following the acquisition of the shareholding in MSL. In the previous year, other comprehensive income had included a negative result of EUR –16.0 million (EUR –5.7 million from the remeasurement of defined benefit plans after adjustment for deferred taxes and EUR –10.3 million from other matters). The equity ratio is 57.7 per cent and is therefore lower than the previous year's figure of 65.5 per cent.

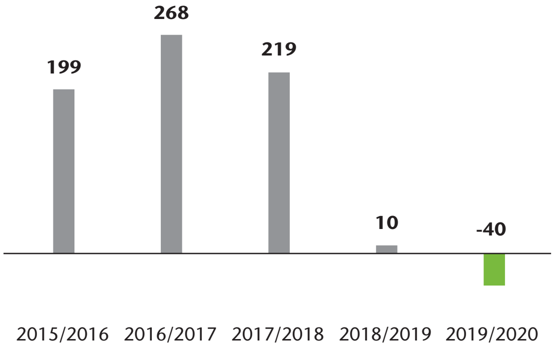
Non-current provisions and liabilities increased to EUR 494.8 million due to the acquisition of MSL (without MSL: EUR 394.3 million) by comparison with the previous year (EUR 372.3 million). The total includes non-current provisions of EUR 347.2 million (previous year: EUR 308.9 million), of which EUR 265.5 million (previous year: EUR 225.5 million) are for pension obligations. The increase by comparison with the previous year resulted in particular from the reduction in the discount rate for pensions.

Non-current liabilities increased to EUR 147.5 million (previous year: EUR 63.3 million). They mainly comprise non-current financial liabilities to banks of EUR 63.6 million which resulted from the consolidation of MSL; other financial liabilities in the amount of EUR 16.4 million; and deferred tax liabilities, which decreased from EUR 51.8 million to EUR 47.2 million in the year under review.

Current provisions and liabilities increased from EUR 322.1 million to EUR 444.9 million (without MSL: EUR 354.0 million). Current financial liabilities increased year-on-year to EUR 25.3 million (previous year: EUR 4.4 million). Trade payables came to EUR 253.2 million (without MSL: EUR 211.8 million) and were therefore higher than in the previous year (EUR 188.1 million). This was mainly attributable to the increased liabilities to growers compared with the previous year, due to the higher volume of beet. At EUR 62.0 million, financial and other liabilities were higher than in the previous year (EUR 38.9 million), mainly due to the acquisition of MSL.

Financial position

CASH FLOW FROM OPERATING ACTIVITIES
in EUR m



Cash flow from operating activities of EUR –39.7 million was much lower than in the previous year (EUR 9.6 million). This decrease resulted in particular from a significant increase in inventories compared with the previous year.

Cash flow from investing activities amounted to EUR –130.3 million, compared to EUR 11.3 million in the same period in the previous year. In the previous year, the sale of securities resulted in proceeds in the amount of EUR 115.0 million, which led to a positive cash flow from investing activities. This was mainly due to the payments for investments in property, plant and equipment, which rose slightly by EUR 2.5 million to EUR 104.8 million by comparison with the previous year. A further effect was the EUR 37.1 million acquisition of MSL.

Cash flow from financing activities amounted to EUR –0.7 million in the reporting year and was thus significantly higher than in the previous year (EUR –62.0 million). This was mainly attributable to the fact that no dividend payment was made in the 2019/2020 financial year due to the negative earnings in the previous year.

The free cash flow, i.e. the total of cash flow from operating activities and cash flow from investing activities, came to EUR –170.0 million and was thus significantly lower than the prior-year value (EUR 20.9 million).

As of 29 February 2020, cash and cash equivalents amounted to EUR 139.4 million (previous year: 265.8 million) and include EUR 44.1 million due to adjustments to the group of consolidated companies (MSL). Cash and cash equivalents thus decreased by EUR 126.4 million.

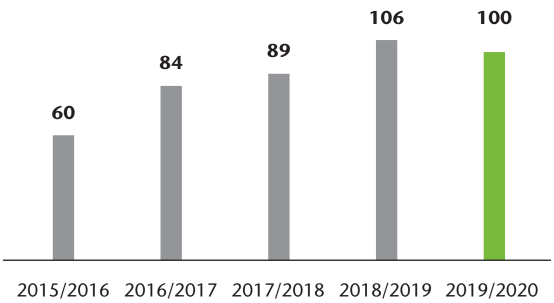
Overall assessment of earnings and financial position and net assets

In the 2019/2020 year under review, though all the Nordzucker Group's key earnings figures remained negative, they improved by comparison with the previous year. RoCE came to –0.9 per cent, as against –3.8 per cent in the previous year. The EBIT margin came in at –1.0 per cent (previous year: –4.3 per cent). Net income for the period amounted to EUR –15.4 million, compared with EUR –35.8 million in the previous year. The slight improvement in the earnings level compared with the previous year was attributable to initial successes with the current cost-saving programme as well as a price increase at the start of the new sugar marketing year.

The Nordzucker Group's net assets and financial position remain stable. Its equity ratio has declined to 57.7 per cent due to the reduction in the discount rate for pensions, but is still at a very high level. As of the reporting date, the company has financial liabilities of EUR 95.4 million due to the acquisition of MSL. Cash and cash equivalents once again slightly exceeded financial liabilities, by EUR 8.0 million. On the other hand, cash flow from operating activities (EUR –39.7 million) reflects the increase in stocks. Cash flow from investing activities came to EUR –130.3 million. This brings the resulting free cash flow to EUR –170.0 million.

CAPITAL EXPENDITURE

CAPITAL EXPENDITURE IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
in EUR m



Nordzucker invested EUR 99.5 million in property, plant and equipment, financial investments, and intangible assets in the 2019/2020 financial year (previous year: EUR 105.8 million). Nordzucker thus continues to invest in its competitiveness. As in the previous year, the focus was on measures aimed at increasing efficiency, meeting regulatory requirements, and replacing existing assets. The company's key investments comprised the modernization of the boiler and the beet processing system in Kėdainiai, completion of the white sugar silo in Chelmza and construction of a high-rack warehouse and a sedimentation pond for water treatment in Uelzen. Further projects, such as modernization of the gas burners in the boiler house in Örtofta, have already begun. In addition, Nordzucker continued its multiple-year programme in Sweden with the goal of delivering increased efficiency and the long-term concentration of production at its Örtofta plant. The modernization of the sugar house was completed by the 2019 campaign and the second phase of the construction of a production system for a range of sugar products was initiated.

Following the company's acquisition of a majority shareholding in Mackay Sugar Limited, Australia, a multiple-year programme was established to increase the availability of the Marian, Farleigh and Racecourse plants. As a first step, investment measures will be realized by the 2020 campaign in the areas of steam and electrical energy supply systems as well as automation.

There were investment commitments of EUR 30.8 million as of the end of the reporting period (previous year: EUR 22.2 million). These commitments will be financed by cash flow from operating activities.

FINANCING

Responsibilities and objectives of financial management

The main responsibilities of Nordzucker's financial management are to manage and control flows of funds for the entire Group on the basis of clearly defined criteria. The main aim is to ensure that sufficient liquidity is available in the Group at all times. Due to the considerable funds currently invested in the Nordzucker Group, the company will also focus on investing these funds with the aim of limiting risks and avoiding negative interest rates. In view of increasing volatility on international markets, the management of raw material and exchange rate and interest rate risks is also a priority. The financial management function is also responsible for developing and executing financing strategies. In order to execute these strategies successfully, Nordzucker maintains close contact with banks.

Financing, financial covenants and investment of free cash and cash equivalents

Nordzucker has a syndicated loan which expires in March 2021. This provides the company with access to EUR 312.6 million.

Loans of this kind include what are known as "financial covenants". These consist of obligations to maintain certain financial ratios over the entire term of the loan. The covenants are an essential element of a loan agreement. Banks use them as a tool to identify and avoid risks at an early stage by drawing conclusions from the figures about the company's financial position. For Nordzucker, these have been defined at the Group level. Compliance with the covenants is monitored internally on a continual basis and reported to the banks at defined intervals.

In the 2019/2020 reporting year, the agreed financial ratio (EBITDA in relation to net debt) was met at all test dates. On the basis of the planning currently available for the Group, the Executive Board of Nordzucker AG assumes that the covenants will not be breached in future.

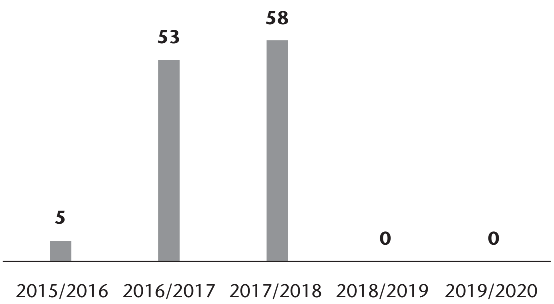
Mackay Sugar Limited is financed independently of the syndicated loan for the remainder of the Group. In addition to a maturity loan of AUD 100 million and an investment credit line of AUD 43.8 million with a term expiring in July 2024, MSL also has short-term current account credit lines to cover its seasonal liquidity requirements. These loans are secured by assets. In addition, in some cases agreed financial indicators must also be upheld (ratio of EBITDA to net debt and net assets).

Thanks to the operating cash flows achieved in previous years and the willingness of the company's shareholders to leave part of these cash flows within the company, the Nordzucker Group has accumulated a significant volume of freely disposable funds (as of the reporting date, EUR 139.4 million). These funds allow the company to continue pursuing its growth strategy. At the same time, they give the company sufficient reserves to hold its ground on the market if prices drop considerably. Nordzucker therefore considers itself well-placed to cope with the challenges associated with the current coronavirus crisis. Nordzucker is investing these freely disposable funds with banks, on the capital market and with investment companies; the investment horizon is less than one year. Nordzucker limits its risks by distributing its investments across various asset classes, by stipulating a minimum credit rating to be achieved for all investments and by using short interest periods.

DIVIDEND

The Executive Board and the Supervisory Board are proposing to the Annual General Meeting of Nordzucker AG that no dividend be distributed for the 2019/2020 financial year.

TOTAL DIVIDENDS, NORDZUCKER AG
in EUR m



EMPLOYEES

In Europe, the Nordzucker Group had an average of 3,146 employees in the reporting year. Its workforce was thus smaller than in the previous year (3,208 employees). This is mainly attributable to the staff reduction programme in administration. Job losses were greatest at the company's administrative locations in Germany and Denmark.

Following the acquisition of a majority shareholding in MSL as of 31 July 2019, this subsidiary now belongs to the Group. There were an average of 673 employees in Australia over the seven consolidated months. For the purpose of the calculation of the Group's average total workforce, there were 0 employees in the period from March to July. This results in a notional average workforce of 393 for Australia.

In the past financial year, the Group thus had 3,539 employees on average overall.

NUMBER OF EMPLOYEES IN THE NORDZUCKER GROUP IN THE FINANCIAL YEAR

Annual average	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Total	**3,283**	**3,206**	**3,236**	**3,234**	**3,208**	**3,539**
Germany	1,263	1,262	1,292	1,320	1,340	**1,308**
Australia*						**393**
Denmark	501	487	477	458	449	**429**
Sweden	439	395	397	385	366	**363**
Poland	339	332	333	335	335	**332**
Finland	286	273	276	273	253	**247**
Lithuania	258	246	252	245	246	**253**
Slovakia	182	196	196	206	207	**205**
Ireland	11	11	10	9	9	**8**
Latvia	4	4	3	3	3	**2**

* Annual average for Australia, the months March to July are included in the calculation with 0; the average number of employees from August to February was 673.

OPPORTUNITIES AND RISKS

Risk management

Principles of risk management

Risk management is a central aspect of corporate governance in the Nordzucker Group. Risk management pursues the goal of early identification of strategic and operating risks and recognition of their scope, so that they can be monitored and controlled. This applies for every area of the company, including defined risk reporting lines. Nordzucker deliberately takes risks within the scope of its defined risk appetite if the risks are unavoidable or are likely to be offset by opportunities; Nordzucker also transfers some risks to third parties. This strategy will help the company to achieve successful further development in the long term and to secure its future.

Structure of the risk management system

Nordzucker has introduced an integrated system throughout the company for the identification and management of risk. The key building block for the risk management system is the identification and management of operational risks by means of the monitoring, planning, management, and control systems in place in the Nordzucker Group.

The risk management system of Nordzucker AG is supported by an internal control system (ICS) that has been set up on a company-wide basis and that also includes the accounting processes. The ICS is an ongoing process based on fundamental control mechanisms, such as technical system-based and manual reconciliations, the separation and clear definition of functions and the monitoring of adherence to, and the further development of, Group-wide guidelines and specific directives.

Risk management

The risk management function discusses at regular intervals the progress made in implementing the defined steps to manage risk with the different functions and/or managers responsible. Regular risk management reports are provided to the Supervisory Board.

All major operating and strategic decisions always take risk aspects into account. When such decisions are made, their consequences are evaluated in various scenarios. Given the highly volatile nature of the market environment, the company's plans have, for a number of years now, illustrated how different market situations can impact the course of business. Descriptions of opportunities and risks highlight alternative developments and identify areas where action needs to be taken. Over the course of the year, the Group reporting and controlling system provides all the decision-makers responsible with continuous information on the actual business performance.

Some of the risks are transferred to third parties, such as insurance companies. The scope and amount of insurance coverage is reviewed regularly and adjusted as necessary.

Internal Audit and compliance

The Internal Audit department examines and evaluates the business processes, organizational structure and the governance system (management and monitoring measures, risk management and the internal control system of the Nordzucker Group) to ensure they are carried out correctly, are effective, and offer value for money. The results of every audit are recorded in an audit report and the implementation of the agreed activities is monitored systematically and regularly. Aside from audits carried out on the basis of annual risk-oriented audit planning, the Internal Audit department also carries out ad hoc checks. In addition, the Internal Audit department offers advice, such as on drawing up guidelines, optimizing business processes or continuously improving the Nordzucker Group's internal control system. It answers to the Chairman of the Executive Board and reports regularly to the Executive Board and to the Supervisory Board's Audit and Finance Committee. This reporting comprises information on the status of internal audits, the key findings of the audits as well as the implementation status of the agreed activities. The reporting also covers audit capacity and fulfilment of audit standards.

To ensure compliance with rules and laws, in December 2017 the role of a compliance coordinator was established throughout the Group. This person coordinates all general issues relating to compliance with rules and laws and reinforces staff and managerial awareness of how to remain compliant and of ethically correct company practices.

Risks and opportunities resulting from the sales market

Risks resulting from the health discussion about sugar

Sugar is part of a balanced diet. Despite this, sugar is presented in the public debate as a cause of being overweight, obese and, as a consequence, of diseases such as diabetes and caries. The critical discussion about sugar continues outside Europe as well. For some time now, food manufacturers have been working to reduce the sugar content in their food. The German Federal Ministry of Food, Agriculture and Consumer Protection published its national reduction and innovation strategy for sugar, fats and salt in finished products in December 2018. The sugar industry in Germany signed this strategy paper at that time, since it aims to achieve a healthier way of life and to reduce excess weight and related diseases. The sugar industry is mainly focusing on the continued elaboration of concrete measures and their implementation within the scope of this strategy. Academic studies show that reducing sugar consumption does not necessarily lead people to lose weight. There are many reasons why people are overweight, which is why focusing on individual ingredients such as sugar distracts from the bigger picture. Ultimately, whether or not a person becomes overweight is all about the balance between calorie intake and calorie expenditure, and about how aware individuals are of their own calorie intake.

To bring more clarity to the debate, Nordzucker works continuously at national and EU level, as well as through the activities of industry associations, to provide information about the effect of sugar in food and about the links between sugar and a balanced diet as part of a healthy lifestyle. This is intended to inform politicians and consumers practically, clearly and objectively about the interrelationships on the basis of scientific findings.

Opportunities resulting from the demand for sugar

Population growth and greater prosperity, particularly in the emerging markets, are behind a long-term global trend towards higher sugar consumption. This increase in demand will support the long-term sugar price trend. Sugar consumption is expected to pick up in Asia, Africa and Latin America in particular. Worldwide, the growth rate is expected to average around 1.5 per cent per year. This growth trend is also making investments in sugar outside Europe attractive. With our new acquisition in Australian sugar producer Mackay Sugar, Nordzucker has entered the field of cane sugar production. This commitment provides us with access to a substantial share of the Australian market as well as the South-East Asian market.

Risks resulting from the political situation in the EU

Following the end of the old sugar market regime in October 2017, the market-stabilizing factors of the quota system for sugar and the minimum price for sugar beet no longer apply. Since then, the EU sugar market is more strongly influenced by the world market. The situation on the international sugar market means that exports from the EU are not economically attractive at a low price level. In this environment, prices in the EU are more strongly affected by the level of volatility on the world market. In addition, the loss of the quota system has increased competition within the EU. Low-price periods therefore represent a risk in relation to Nordzucker's profitability.

As far as the EU sugar producers are concerned, developments in the future relationship between the EU and the United Kingdom remain highly significant. On 31 January 2020, the United Kingdom withdrew from the European Union. During a transition phase which will expire on 31 December 2020, the EU and the United Kingdom intend to conclude a comprehensive free trade agreement. If no agreement is reached, the United Kingdom will have the status of a "third country". That would mean that duties would apply on exports to the United Kingdom. What is more, deliveries could only be made subject to customs procedures and with considerable delays on account of the likely border controls.

Unlike the European Union, at an international level the major sugar-producing countries such as India and Brazil subsidize their sugar production industries. But conditions within the EU also vary. Some member states make use of the option to provide their growers with payments tied to the cultivation of sugar beet within the scope of the Common Agricultural Policy (CAP). Around 30 per cent of the European beet cultivation area is supported by the eleven beet-growing member states. This naturally places the beet growers in those countries which do not provide beet cultivation-related payments at a disadvantage.

Risks resulting from the EU's free trade agreements

Free trade agreements are becoming more and more important for the European Union. Trade agreements signed in recent years with Moldova, Georgia, Ukraine, Columbia, Peru, Panama, Ecuador, South Africa, Canada, and the states of Central America, provide for annual duty-free sugar imports of more than 500,000 tonnes. Trade agreements including further import quotas for sugar have already been negotiated for the benefit of Mexico, Vietnam, Singapore and the MERCOSUR countries. However, these agreements have not yet come into effect. Behind these negotiated agreements are more import quotas (amounting to a total of 240,000 tonnes), plus the gradual reduction of duties for white and raw sugar.

Negotiations are under way with further countries such as Australia, Chile, the Gulf states, India, Indonesia, Malaysia, Morocco, New Zealand, the Philippines, Thailand and Tunisia. The negotiations on a transatlantic free trade agreement with the USA remain frozen. The protectionist trade policy supported by the American president could also have an impact on trade relations between other countries as well as on the negotiations on future EU free trade agreements.

In terms of international trade agreements, the EU is concerned with establishing market access for European producers while also protecting the domestic sugar market against subsidized sugar. Strict rules of origin for sugar in future agreements and the preservation of EU import duties for the sugar sector are thus of key significance. Reducing EU protection against imports without taking the special interests of the sugar industry into account would make competition in the EU even more intense, due to a possible increase in import volumes. Import duties protect the European sugar industry against imports in excess of those volumes that enter the European market under the above-mentioned bilateral trade agreements, or else at reduced rates or duty-free via preferential agreements such as with the least developed countries (LDC). Without EU import duties, unlimited quantities of sugar could be imported into the EU at global market prices. This would discriminate against European sugar producers, because almost all the countries in the world where sugar is produced provide massive support to local producers and protect them from outside competition.

Risks resulting from procurement and production

Risks associated with securing raw materials

For growers, sugar beet competes with other arable crops. The decision whether to plant sugar beet or other crops depends to a large extent on relative price levels for different crops and on the yield that can be obtained regionally. In an environment characterized by intense competition for land under cultivation, is important for beet cultivation to be worthwhile for growers in terms of allowing them to generate high yields and keep their production costs down.

To date, the 20·20·20 yield improvement programme has been an important element in securing raw materials. Nordzucker had set itself the Group-wide target of achieving a sugar yield of 20 tonnes per hectare with the top 20 per cent of growers in 2020. This programme was reviewed following the European Commission's prohibition of the use of neonicotinoid insecticide substances and additional restrictions on chemical crop protection, which it has announced and partially implemented. In the company's view, these bans will affect the yield capacity and yield stability of sugar beet cultivation. The review found that in the changing environment, the 20·20·20 programme's goal will not be achievable without changes to cultivation methods.

For this reason, Nordzucker has launched its “Smart Beet” initiative. Based on monitoring of the approval situation for pesticides and other risks to sugar beet cultivation, approximately 40 projects and experimental approaches were collected Group-wide during the first year of this programme. The goal is to define the question of how sugar beet can be grown in the changing environment. The company is continuing its development of digital solutions for cultivation advice to provide additional support.

It is vital that these projects and experiments have practical relevance so that growers can quickly implement the results in their sugar beet cultivation.

Nordzucker signs supply contracts with the beet growers well in advance in order to secure the necessary volumes. Various supply contract models were offered to beet growers in all countries for 2020/2021, and in some cases also for 2021/2022 and the periods that follow. These have varying contractual terms; there are fixed-price models as well as models with prices linked to sugar prices/EBIT. In the Group, the contract quantities offered for the 2020/2021 campaign were almost completely subscribed.

At MSL, sugar cane is purchased on the basis of rolling cultivation contracts. Unlike sugar beet, sugar cane is not newly cultivated based on an annual planting decision but over a cycle of six to seven years. There are two key risks with regard to the availability of raw material. On the one hand, poor weather conditions (mainly drought or cyclones) may result in reduced yields. On the other hand, the amount of land under cultivation may decline when farms are used for other purposes (e.g. cattle husbandry).

Risks resulting from energy prices

The heat and electricity needed for sugar production are generated in the company’s own power plants. This requires procurement of primary energy in the form of natural gas, coal or heavy crude oil. These raw materials are traded on stock exchanges and are subject to high price volatility. In addition to the risk of changes in the price, there is also a risk that the volumes or quality levels required for production may be temporarily unavailable (production downtime risk). To a certain extent, Nordzucker mitigates the risk of changes in prices by means of hedging transactions. It also reduces the risk of production downtime by pursuing a forward-looking procurement policy and by establishing long-term supplier relationships with selected partners.

Risks resulting from the supplier portfolio

The continuing lack of specialists and the general situation on the labour market (reduced unemployment figures and increasing number of vacancies) has resulted in increased costs and challenges in terms of the availability of, and capacity to provide, products and services.

To ensure that Nordzucker is nonetheless able to secure low-cost access to key materials as required, cooperation has been intensified with the departments that consume supplies. This allows for timely recognition of requirements and optimization of the procurement process. Across the Group, critical spare parts have been identified, prioritized, acquired or stored at suppliers, which has reduced the procurement risk.

One strategic objective of procurement is to diversify sources of supply. The goal is to normally have several suppliers for all critical goods and services to be purchased; if necessary, new additional suppliers must be identified, evaluated and developed.

Risks resulting from longer campaigns

On the basis of structural adjustments made in the period up to 2009, the goal is now for the campaign at the company's plants to last around 120 days if possible. In the 2019/2020 financial year, the average campaign duration was 113 days. While the campaign lasted 11 days longer than in the previous year, the goal of a campaign duration of 120 days was not met. With nearly 141 days, the Örtofta plant in Sweden had the longest campaign. As in the previous year, the Säkylä plant in Finland had the shortest campaign. However, the 2019/2020 campaign in Säkylä lasted 70 days and was thus significantly longer than in the past.

Admittedly, longer campaigns mean that beet harvesting, logistics and processing are hampered by the onset of winter weather. This was not the case this year, due to the mild winter. Longer campaigns also mean that production downtime is more likely.

Environmental risks

Sustainable and environmentally friendly production is an integral part of Nordzucker's corporate strategy. The value chain is designed so that all delivered materials can be converted into usable products, without the need for waste disposal. Beet is converted into sugar, pressed pulp, dried pulp pellets and molasses; limestone and non-sugar substances are turned into carbolime; soil is returned to the field; and stones are used for road construction. Nonetheless, environment impacts including airborne emissions (odours, noise, dust) cannot be entirely avoided during sugar production. The accumulation of technical waste (such as lubricants) and waste water is also unavoidable. Risks arise from potentially exceeded limits, complaints from residents, or new statutory regulations.

Nordzucker gives high priority to limiting detrimental environmental effects to the extent possible. Investments in the avoidance of noise and odours are a part of capital expenditure every year. In recent years, key areas of focus have included the minimization of noise pollution through improved noise abatement and the reduction of dust emissions through new filters. All Nordzucker plants are audited regularly in accordance with applicable national and international legislation and standards to verify the results of these activities. This includes certification in line with the EU Environmental Audit regulation (EC) 1221/2009 (EMAS III), the DIN EN ISO 14001 environmental management system, and the DIN EN ISO 50001 energy management system. Nordzucker not only submits to the inspections required by law but also carries out an additional voluntary audit.

Risks resulting from additional costs for CO_2 certificates

Within the scope of the European emissions trading system, every year Nordzucker requires certificates to cover the annual CO_2 emissions it uses to generate energy. In case of a shortfall, the missing certificates must be purchased. New rules which will come into effect in 2021 will maintain the political pressure to achieve further reductions in CO_2 emissions over the next few years by charging higher prices for certificates. Europe's political goal is to achieve greenhouse gas neutrality in the European Union by 2050. EU member state heads of state and government agreed on this goal in December 2019. Nordzucker works continuously to cut its CO_2 emissions even further by investing in energy efficiency and optimizing its operations. This not only reduces the number and associated cost of the CO_2 certificates that must be purchased, but also makes Nordzucker's business more sustainable.

For many years, Nordzucker has successfully lowered its CO_2 emissions to make sugar production more sustainable. 60 per cent of these production-related emissions have already been reduced compared with 1990 levels. In future, Nordzucker will continue to work on cutting its CO_2 emissions even further by investing in energy efficiency and optimizing its operations. This will not only reduce the number and associated cost of the CO_2 certificates that must be purchased, but will also ease the impact on the environment.

Risks resulting from product safety

As a food producer, Nordzucker is responsible for the quality and safety of its products. Regular inspections and product safety certifications are carried out to identify risks at an early stage. All locations comply with DIN EN ISO 9001 and the FSSC 22000 product safety standards.

Due to differences in local requirements, some sites are also certified in accordance with the following standards: occupational health and safety management system OHSAS 18001; energy management system DIN EN ISO 50001; German Biofuel Sustainability Ordinance (Biokraft-NachV – the implementation of Directive 2009/28/EC on the promotion of the use of energy from renewable sources); the IFS (International Featured Standards) food standard; and the GMP B2 standard for the production of animal feed ingredients. Organic and fair-trade products are grown and inspected in line with the applicable legislation and standards.

Legal risks

The companies of the Nordzucker Group are subject to various statutory and regulatory requirements which affect our business activities and processes. Changes to these rules may necessitate adjustments to our operating activities and result in a significant increase in our production costs.

The key regulatory risks relate to food and animal feed law, occupational health and safety regulations and environmental law. There are additional risks from tax regulations, employment law and the General Data Protection Regulation. Proceedings due to violations of the law could result in fines and penalties, or even civil liability and damage to the company's image. These risks also exist for violations of competition and anti-trust law, corruption, theft and fraud. There is also a pecuniary risk in the event that the Nordzucker Group falls victim to a criminal offence.

Nordzucker faces various legal disputes and proceedings and may possibly do so in future. These could cause Nordzucker to be required to pay compensation or to settle other claims. The legal actions associated with the German sugar cartel in the period from 1996 to 2009 should be noted here. While Nordzucker assumes that the nature of the agreements was not sufficient to have an effect on the market, a court could find that Nordzucker is required to pay compensation.

Risks and opportunities resulting from information technology

Risks resulting from digitalization

Risks resulting from digitalization include an outside attack that disrupts the production or delivery of sugar. Furthermore, valuable data could be stolen. In order to limit such risks, achieve an appropriate level of protection for the company and ensure system availability, Nordzucker is investing in further security measures, such as the use of state-of-the-art techniques to detect the latest threats. Statutory requirements (German IT Security Act, UP KRITIS) must also be taken into account. By playing an active role on committees in industry working groups, Nordzucker can help shape the general framework for this subject.

Internal and external reviews continuously verify the effectiveness of measures, making all IT services as safe and reliable as possible. We take the notification of all employees regarding possible risks and protective measures seriously.

Opportunities resulting from digitalization

Digitalization is opening up new opportunities for Nordzucker. By evaluating the data that is already available in a digitally connected system, Nordzucker can pick up on any deviations more quickly and take targeted measures to manage them. Nordzucker already makes use of these technical opportunities with the AgriLog system – which optimizes the supply chain from the grower to the plant – and with digital consultancy solutions for growers.

Shipping logistics for sugar is another area which is undergoing digitalization. Already today, system solutions are put together on a needs-oriented basis for the company's production and shipping locations. Examples include solutions for loading time window and yard management, warehouse management, lorry tracking and tracing, and loading point sensor technology. Integration of these solutions is driving the digitalization of the entire process: the arrival of the lorry at the plant; the automated placing of the goods; shipping; and the continued monitoring of punctual delivery to the customer.

Financial risks

Financial risks relate to unrecoverable receivables, currency, raw materials and interest rate risks and liquidity risk. Risk exposure may also arise from the investment strategy and the availability of loan finance.

Risks resulting from defaults

Receivables from customers or other contractual parties may become unrecoverable. This risk rises at times of economic crisis or when extreme swings in the price of raw materials put pressure on customers.

To limit these risks, Nordzucker establishes a customer's credit standing before signing a contract and generally takes out trade insurance.

Currency, raw materials and interest rate risks

The volatility of exchange rates, raw materials and interest rates give rise to operating risks, the hedging of which is the responsibility of the individual functional units and, on a centralized basis within the Group, of the Corporate Finance department.

To limit these risks, they are analyzed thoroughly before contracts are signed. Standard financial instruments available from banks and exchanges are used if Nordzucker has to assume risks. Financial derivatives such as forward contracts, swaps and futures are used to hedge the Group's open risk positions.

This exposes the Nordzucker Group to a normal measure of counterparty risk, in the sense that a partner to a contract may not fulfil their obligations. To minimize this counterparty risk, financial derivatives are either transacted directly via the stock exchange and/or only with first-class international financial institutions, whose economic performance is monitored regularly, partly by analyzing the financial ratings issued by international rating agencies. Dependence on individual institutions is also limited by spreading transactions over various counterparties.

All financial derivatives used serve solely to hedge operating sales, investments and purchase transactions, and to hedge exchange rates for financial transactions.

The margins required for exchange-traded derivatives are also held exclusively on separate margin accounts with first-class international financial institutions.

As of 29 February 2020, the Nordzucker Group had exchange rate derivatives with a notional net volume of EUR 236.4 million (as of 28 February 2019: EUR 128.8 million). At the end of the financial year, derivative transactions with a notional net volume of EUR 38.6 million were open to hedge against price movements for raw materials (as of 28 February 2019: EUR 3.4 million).

These existing hedges generally run for less than one year and match the maturity profile of the hedged transactions.

The EU regulation EMIR introduced standards for reporting obligations for trading in derivatives. Nordzucker implemented these as of the statutory effective date on 14 February 2014. The statutory reporting obligations have been met in full in the 2019/2020 financial year. The related audit required by Sec. 20 paragraph 1 of the German Securities Trading Act (WpHG) was conducted again in 2019/2020 without any objections.

Liquidity risks

The seasonality of the Group's business means that its capital requirements vary widely over the course of a financial year. The size of the harvest and developments in market prices also have a considerable effect on the company's funding requirements. If the company cannot meet this funding requirement from free cash flow or existing credit lines, a situation may arise in which its continued existence is at risk. This is why the finance function regularly draws up liquidity forecasts for the Group, on the basis of which the financing strategies are then prepared and implemented.

Risks resulting from the supply of credit

Nordzucker has a syndicated loan which expires in March 2021. All the syndicate banks have good credit ratings and are very dependable. In the opinion of the company management, the medium-term syndicated loan to finance its operating business, together with its available liquidity, covers the company's capital needs. From a current perspective, its cash reserves and unused lines of credit enable Nordzucker to meet its payment obligations at all times. At the end of the financial year, Nordzucker is in discussions regarding a new syndicated loan with a longer term.

Separate loan agreements were arranged to finance the planned investment programme and current operations at Mackay Sugar. The term for loans covering non-current obligations is appropriate.

The availability of the loans nonetheless depends on various conditions being met; in particular, Nordzucker must comply with a number of financial covenants. On the basis of existing corporate planning for the Group, the company assumes that the terms of the loan agreement will be met in subsequent years as well. Further steps have also been taken to support compliance with these covenants in future.

The guarantees needed for current operations can also be provided at any time as needed by means of the syndicated loan and bilateral lines of credit. The Group is not directly dependent on individual lenders.

Risks resulting from financial investments

Risky financial investments or the default of a bank may result in the loss of financial assets. Nordzucker has a conservative investment policy for financial investments. The Group's free liquidity is largely invested in money-market products of European financial institutions that have been selected based on a credit rating classification. However, in general, all investment amounts are spread in terms of the maturities, investment forms and issuers, in order to prevent cluster risks. For balances with banks, the funds must be largely covered by the applicable deposit insurance mechanisms, despite changes in the EU legal situation. In spite of these extensive measures, invested funds could suffer value losses or be unavailable in the short term in the event of another financial crisis. Due to the continued highly expansionary monetary policy pursued by the European Central Bank, Nordzucker could pay negative interest rates on investments held by banks. To date, it has largely been possible to avoid this; in any case, the impact on the company's overall profitability is likely to be kept to a minimum.

The liquidity available within Nordzucker allows the company to exploit growth opportunities, also by taking growth steps outside of Europe. This strong financial position will enable the company to defend its market share and expand its market position in an environment that will be characterized by more intense competition in Europe in the future. Nordzucker is also well positioned to weather any prolonged period of lower prices.

Overall picture for risks and opportunities

Following the expiry of the sugar market regime on 30 September 2017, competition in the EU sugar market has significantly intensified. Sugar prices within the EU are now considerably more dependent on the global sugar market, which means that the volatility of sugar prices on the world market also affects EU sugar prices. Extended periods with relatively low sugar prices are possible, as was the case between mid-2017 and late 2019. Low sugar prices pose the greatest risk regarding achievement of the Nordzucker Group's profitability targets. Increasing prohibitions on the use of pesticides may reduce sugar beet yields, which could result in higher purchasing costs. Furthermore, due to the energy required to produce sugar, the price and availability of energy could affect the profitability of the Nordzucker Group.

At the same time, there are also significant opportunities for Nordzucker. Sugar is a product in high demand across the globe. Its consumption will continue to increase in the future as the world population grows and prosperity levels rise. In addition, global growth presents the company with attractive investment opportunities outside Europe, both now and in the coming years. For instance, the company's equity investment in the cane sugar producer MSL will provide access to the Australian and South East Asia markets. In Europe, Nordzucker already has attractive sales markets thanks to its strong market presence. Through continual work with growers and external partners, the company is actively taking up the challenges posed by increasingly stringent environmental legislation in the field. It supports projects that meet these challenges. A comprehensive transformation programme will help further reduce production costs and make administrative processes more efficient.

The overall assessment of current opportunities and risks suggests that there are no risks that could jeopardize the company's continued existence. No future existential risks have been identified at the present time.

OUTLOOK

Though the overall result for the 2019/2020 financial year was still negative at EUR –15.4 million, it was significantly better than the negative outlook presented in the last annual report. Main drivers of this development were the savings measures that were realized earlier than expected, the rise in the market price of sugar in the second half of the year, and positive effects from the sale of by-products and bioethanol.

However, the positive price trend was unable to compensate fully for the low sugar prices in the 2018/2019 sugar marketing year. The EBIT margin indicators improved slightly, at –1.0 per cent, but once again fell short of the target of 6.0 per cent. The equity ratio once again substantially exceeded the target of 30.0 per cent. The capital structure remains solid. At the end of the year, the company has cash and cash equivalents of around EUR 139.4 million as well as a credit line of EUR 312.6 million for current business activities.

The outlook for the 2020/2021 financial year is highly uncertain due to the current coronavirus pandemic and the restrictions associated with it. As a food producer, Nordzucker is part of the systemically relevant infrastructure.

The company is meeting the responsibility that this entails and has implemented comprehensive health measures at all locations. It is supplying the population with locally-produced sugar and is also delivering bioethanol as a raw material for disinfectant production. The sowing of beet, the thick juice campaigns, and the maintenance and investment measures at the plants are taking place as planned to safeguard the 2020/2021 campaign.

We are currently noticing an increase in retail sales volumes since there is greater consumer demand for sugar as a staple food. However, this effect is likely to diminish over the course of the year. On the other hand, there is a risk of declining sales volumes for our food industry customers due to the effects of the coronavirus pandemic.

The price of sugar on the world market has fallen significantly, together with prices for mineral oil. While sugar prices were still around EUR 383 per tonne as of the reporting date, they fell by approximately 16 per cent by the end of March. It is not currently possible to precisely quantify the resulting effects since they will depend on the duration and the global economic impact of the pandemic. The determining factor will be how lasting an impact the coronavirus pandemic has on the global sugar balance. However, we assume that world market prices will recover compared with the present situation. The fundamental prospects for global production and consumption continue to indicate this.

In Australia, where the falling sugar prices more directly impact business, lasting price changes will have a stronger impact on earnings. MSL was able to mitigate the financial effect of the drop in prices by concluding hedging transactions in a timely manner.

Since a large portion of the company’s sales agreements have been safeguarded and other basic premises can also be maintained, based on current insights, our income and liquidity planning for the current 2019/2020 financial year remains positive. We do not therefore expect to draw on our existing line of credit by the end of the coming financial year.

Overall, we consider ourselves solidly positioned to survive this phase. Despite the distortions associated with the coronavirus pandemic, the outlook for the 2020/2021 financial year continues to look positive due to the contracts that have already been concluded. We can assume that the Group’s financial position will remain stable and its liquidity secured.

In the coming 2020/2021 financial year, the company will continue to implement its planned measures for the adjustment of management and the cost structure. The positive effects associated with these measures will significantly contribute to the company’s earnings. This will consistently strengthen Nordzucker’s competitiveness so it can continue to exist under the new and more volatile market conditions.

Despite the currently unclear market situation, in the medium term we expect the European sugar market to further stabilize and develop positively. However, the global sugar market will continue to have a significant influence, which may continue to lead to a high level of volatility and related price fluctuations. Through its investment in Australia, Nordzucker expects to benefit from the growing level of demand in South-East Asia. In its core business, the company continues to implement its comprehensive transformation project and to focus on environmental protection. Possible new uses for sugar and beet are also under intense review. With a view to potential further consolidation in the EU sugar market, Nordzucker is watching the market very closely and is prepared to avail itself of opportunities that arise.

Nordzucker is a strong supplier of sugar, animal feed and bioethanol, and will continue to seize growth opportunities in the markets. We take our important role of supplying the population with locally-produced products very seriously, especially in view of the pandemic.

Braunschweig, Germany, 29 April 2020

The Executive Board

Dr Lars Gorissen | Axel Aumüller | Alexander Bott | Erik Bertelsen

Consolidated financial statements

2019 / 2020

CONSOLIDATED INCOME STATEMENT

for the period from 1 March 2019 to 29 February 2020 for Nordzucker AG, Braunschweig, Germany

in EUR thousands	Further details in Note	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019[1]
Revenues	8	**1,438,470**	1,353,786
Production costs	9	**-1,205,660**	-1,169,678
Gross profit		**232,810**	**184,108**
Sales costs	10	**-176,919**	-172,342
Administrative expenses	11	**-70,716**	-69,578
Other income	12	**32,343**	37,882
Other expenses	13	**-32,161**	-38,159
Operating result (EBIT)		**-14,643**	**-58,089**
Financial income	14	**3,517**	15,047
Financial expenses	15	**-9,552**	-7,411
Result from companies accounted for using the equity method	16	**4,495**	155
Earnings before taxes		**-16,183**	**-50,298**
Income taxes	17	**774**	14,519
Consolidated net income		**-15,409**	**-35,779**
of which attributable to non-controlling interests		**4**	-2,666
of which attributable to shareholders of the parent company		**-15,413**	**-33,113**

[1] Comparative information has not been restated, see Note 5.1. "Accounting standards applied for the first time in the current financial year".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019[1]
Consolidated net income	**-15,409**	**-35,779**
Remeasurement of defined benefit plans	**-39,285**	-8,023
Deferred taxes on items of other comprehensive income not reclassified to the income statement	**11,147**	2,333
Other comprehensive income from items not reclassified to the income statement	**-28,138**	**-5,690**
Exchange differences on translating foreign operations	**-4,955**	-10,214
Net result of cash flow hedges	**-5,346**	-161
Deferred taxes on items of other comprehensive income reclassified to the income statement	**383**	35
Other comprehensive income from items reclassified to the income statement	**-9,918**	**-10,340**
Consolidated comprehensive income after taxes	**-53,465**	**-51,809**
of which attributable to non-controlling interests	**-1,662**	-2,672
of which attributable to shareholders of the parent company	**-51,803**	**-49,137**

[1] Comparative information has not been restated, see Note 5.1. "Accounting standards applied for the first time in the current financial year".

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 March 2019 to 29 February 2020 for Nordzucker AG, Braunschweig, Germany

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019[1]
Earnings before taxes	**-16,183**	**-50,298**
Interest and similar income/expenses	**8,161**	-2,288
Depreciation, amortization and impairment/reversals of impairment of non-current assets	**74,241**	67,072
Change in provisions	**-8,310**	-19,157
Change in inventories	**-71,823**	32,347
Change in trade receivables	**-9,710**	19,788
Change in trade payables	**26,972**	-26,359
Change in other operating assets/liabilities	**-33,485**	-3,503
Gains/losses on the disposal of non-current assets	**-1,398**	1,092
Other non-cash expenses/income	**-1,861**	-178
Interest received in the financial year	**1,490**	8,827
Interest paid in the financial year	**-5,027**	-1,954
Result from companies accounted for using the equity method	**-4,495**	-155
Taxes paid in the financial year	**1,707**	-15,632
Cash flow from operating activities	**-39,722**	**9,602**
Proceeds from the disposal of property, plant and equipment	**7,761**	1,847
Payments for investments in property, plant and equipment	**-104,836**	-102,300
Proceeds on disposal of intangible assets	**19**	0
Payments for investments in intangible assets	**-2,707**	-3,059
Proceeds from the disposal of financial assets	**701**	27
Proceeds from/payments for investments in financial assets	**5,872**	-175
Proceeds from disinvestments in current securities	**0**	114,998
Payments from the acquisition of consolidated companies	**-37,094**	0
Cash flow from investing activities	**-130,284**	**11,338**
Payments to shareholders (dividends)	**-10**	-61,393
Borrowing[2]	**30,358**	0
Repayments of financial liabilities	**-30,815**	-387
Proceeds from finance leases	**0**	-172
Interest expenses[2]	**-272**	0
Cash flow from financing activities	**-739**	**-61,952**
Changes in cash and cash equivalents	**-170,744**	**-41,012**
Cash and cash equivalents at the beginning of the period	**265,793**	**306,908**
Change due to changes to group of consolidated companies	**44,081**	0
Effect of foreign exchange rate changes	**280**	-103
Cash and cash equivalents at the end of the period	**139,410**	**265,793**

[1] Comparative information has not been restated, see Note 5.1. "Accounting standards applied for the first time in the current financial year".
[2] As of 29 February 2020 also includes lease liabilities resulting from the first-time adoption of IFRS 16.

CONSOLIDATED BALANCE SHEET

as of 29 February 2020 for Nordzucker AG, Braunschweig, Germany

ASSETS in EUR thousands	Further details in Note	**29/2/2020**	28/2/2019[1]
Non-current assets			
Fixed assets			
Intangible assets	21	**18,401**	19,461
Property, plant and equipment[2]	22	**956,599**	859,846
Investment property	25	**11,374**	4,634
Financial investments	26		
Shares in companies accounted for using the equity method	26.1/26.2	**54,796**	6,687
Other financial investments	26.3	**41,868**	23,017
		96,664	**29,704**
		1,083,038	**913,645**
Receivables and other assets			
Financial assets	30	**104**	0
Other assets	31	**168**	290
		272	**290**
Deferred taxes	17	**16,706**	3,323
		1,100,016	**917,258**
Current assets			
Inventories	27		
Raw materials, consumables and supplies		**64,735**	55,547
Work in progress		**57,137**	55,563
Finished goods and merchandise		**603,190**	534,794
		725,062	**645,904**
Receivables and other assets			
Trade receivables	28	**180,551**	125,838
Receivables from related parties	29	**459**	124
Current income tax receivables	17	**4,661**	1,662
Financial assets	30	**9,315**	6,909
Other assets	31	**59,716**	46,433
		254,702	**180,966**
Cash and cash equivalents		**139,410**	**265,793**
Current assets		**1,119,174**	**1,092,663**
Assets held for sale	32	**0**	**201**
		1,119,174	**1,092,864**
		2,219,190	**2,010,122**

[1] Comparative information has not been restated, see Note 5.1. "Accounting standards applied for the first time in the current financial year".
[2] As of 29 February 2020 also include the rights of use resulting from the first-time adoption of IFRS 16.

CONSOLIDATED BALANCE SHEET

as of 29 February 2020 for Nordzucker AG, Braunschweig, Germany

Equity and liabilities in EUR thousands	Further details in Note	29/2/2020	28/2/2019[1]
Equity	33		
Subscribed capital	33.1	**123,651**	123,651
Capital reserves	33.2	**127,035**	127,035
Retained earnings	33.3	**1,092,477**	1,106,038
Other comprehensive income	33.4	**-112,252**	-75,862
Equity attributable to shareholders of the parent company		**1,230,911**	1,280,862
Non-controlling interests	33.5	**48,650**	34,933
		1,279,561	**1,315,795**
Non-current provisions and liabilities			
Provisions for pensions and similar obligations	34	**265,482**	225,523
Other provisions	35	**81,749**	83,393
Financial liabilities[2]	36	**70,112**	1,258
Liabilities towards related parties	38	**5,500**	5,500
Other financial liabilities	39	**19,910**	0
Other liabilities	40	**4,764**	4,770
Deferred taxes	17	**47,238**	51,806
		494,755	**372,250**
Current provisions and liabilities			
Provisions for pensions and similar obligations	34	**11,515**	11,352
Other provisions	35	**41,290**	36,650
Financial liabilities[2]	36	**25,267**	4,392
Current income tax liabilities	17	**14,333**	3,629
Trade payables third party	37	**253,248**	188,148
Liabilities towards related parties	38	**37,246**	39,056
Other financial liabilities	39	**25,262**	3,565
Other liabilities	40	**36,713**	35,285
		444,874	**322,077**
		2,219,190	**2,010,122**

[1] Comparative information has not been restated, see Note 5.1. “Accounting standards applied for the first time in the current financial year”.
[2] As of 29 February 2020 also includes lease liabilities resulting from the first-time adoption of IFRS 16.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for Nordzucker AG, Braunschweig, Germany

in EUR thousands	Subscribed capital	Capital reserves	Retained earnings	Other com-prehensive income	Equity attributable to share-holders of the parent company	Non-controlling interests	**Total equity**
As of 1/3/2018	**123,651**	**127,035**	**1,197,113**	**-59,838**	**1,387,961**	**41,035**	**1,428,996**
Net income	/	/	-33,113	/	-33,113	-2,666	**-35,779**
Other comprehensive income	/	/	/	-16,024	-16,024	-6	**-16,030**
Consolidated comprehensive income	**/**	**/**	**-33,113**	**-16,024**	**-49,137**	**-2,672**	**-51,809**
Dividend payment	/	/	-57,962	/	-57,962	-3,430	**-61,392**
Other	/	/	/	/	/	/	**/**
As of 28/2/2019[1]	**123,651**	**127,035**	**1,106,038**	**-75,862**	**1,280,862**	**34,933**	**1,315,795**
As of 1/3/2019[1]	**123,651**	**127,035**	**1,106,038**	**-75,862**	**1,280,862**	**34,933**	**1,315,795**
Net income	/	/	-15,413	/	-15,413	4	**-15,409**
Other comprehensive income	/	/	/	-36,390	-36,390	-1,666	**-38,056**
Consolidated comprehensive income	**/**	**/**	**-15,413**	**-36,390**	**-51,803**	**-1,662**	**-53,465**
Dividend payment	/	/	0	/	0	-10	**-10**
Other	/	/	1,852	/	1,852	15,389	**17,241**
As of 29/2/2020	**123,651**	**127,035**	**1,092,477**	**-112,252**	**1,230,911**	**48,650**	**1,279,561**

[1] Comparative information has not been restated, see Note 5.1. "Accounting standards applied for the first time in the current financial year".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL REMARKS

1. Accounting principles

The consolidated financial statements as of 29 February 2020 for Nordzucker AG (Küchenstrasse 9, 38100 Braunschweig, Germany) have been prepared in accordance with Sec. 315e HGB (German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU-IFRS) and with supplementary provisions of German commercial law. The financial statements comply fully with EU IFRS and give a true and fair view of the net assets, financial and earnings position of Nordzucker AG and its consolidated subsidiaries, joint ventures and associated companies (hereinafter referred to as the “Nordzucker Group” or “Group”).

As the parent company of the Group, Nordzucker AG is entered in the Commercial Register at Braunschweig Local Court (HRB 2936).

Nordzucker Holding Aktiengesellschaft presents consolidated financial statements for the largest group of companies, which includes Nordzucker AG as a subsidiary. The consolidated financial statements of Nordzucker Holding Aktiengesellschaft are filed with and published in the electronic edition of the German Federal Gazette (Elektronischer Bundesanzeiger).

The consolidated financial statements of Nordzucker AG, audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and issued with an auditor’s report, are published in the German Federal Gazette. The annual report can be viewed on the Nordzucker AG website (www.nordzucker.de).

The reporting currency is the Euro, with amounts reported in thousands of Euros.

The consolidated financial statements will be approved by the Executive Board of Nordzucker AG on 25 May 2020 for presentation to the Supervisory Board.

2. Consolidation and acquisitions

2.1. PRINCIPLES OF CONSOLIDATION

a. Subsidiaries
In addition to Nordzucker AG as the parent company, the Nordzucker consolidated financial statements also include the domestic and foreign companies that can be controlled by Nordzucker AG within the meaning of IFRS 10 (subsidiaries).

Subsidiaries are fully consolidated from the acquisition date, i.e. the date on which the Group obtains control. Consolidation ends once the parent company no longer exercises control. The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements for the parent company using uniform accounting methods. Intra-Group transactions between companies in the Group are eliminated in full.

b. Joint ventures

Joint ventures are accounted for in the consolidated financial statements using the equity method. Nordzucker AG has rights to the net assets of the joint ventures and manages them with another party (joint control). In applying the equity method, the IFRS financial statements of these companies are used. Losses from joint ventures which exceed the investment carrying amount or other non-current receivables from financing these companies are not recognized unless there is an obligation to provide further capital.

c. Associated companies

Associated companies are also accounted for in the consolidated financial statements using the equity method. Nordzucker AG has a significant influence on associated companies, i.e. it can contribute to shaping the company's financial and operating policies but does not have control or joint control of decision-making processes.

2.2. BUSINESS COMBINATIONS AND INVESTMENTS

With effect from 31 July 2019, Nordzucker acquired 70 per cent of the shares in Mackay Sugar Limited Ltd. (MSL), Mackay, Australia through a capital increase. MSL was purchased as a group including its two fully consolidated subsidiaries Mackay Commodity Trading Pty Ltd. Mackay, Australia and Queensland Commodity Services Pty Ltd., Mackay, Australia.

Mackay Sugar Limited produces raw cane sugar at its three locations Racecourse, Marian and Farleigh for the domestic market and for export.

In addition, Mackay Sugar Limited has a share of 25 per cent in a joint venture with Wilmar Sugar Refining Investments Pty Ltd., Brisbane, Australia. As part of this joint venture, raw sugar is refined into white sugar in Racecourse, Yarraville and Auckland, New Zealand and marketed by Sugar Australia Pty Ltd., Yarraville, Australia and New Zealand Sugar Company Pty Ltd., Yarraville, Australia.

With its acquisition of a majority shareholding in MSL, Nordzucker has expanded its business and therefore expects to benefit from the rising demand for sugar in South-East Asia.

The fair values of the identifiable assets and liabilities of Mackay Sugar Limited at the time of acquisition were as follows:

CARRYING AMOUNT OF ACQUIRED ASSETS AND LIABILITIES AND FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES AS OF THEIR ACQUISITION

in EUR thousands	Carrying amount	Fair value
Intangible assets	0	247
Property, plant and equipment	70,410	70,995
Investment property	1,476	7,106
Financial investments	68,562	68,562
Inventories	9,138	9,276
Trade receivables	45,577	45,577
Financial assets	2,121	2,121
Other assets	3,533	6,767
Cash and cash equivalents	44,081	44,081
Of which payments made for capital increase of Nordzucker AG	37,094	0
	244,899	**254,733**
Provisions	-8,479	-8,479
Financial liabilities	-107,901	-90,179
Trade payables	-38,577	-38,577
Other financial liabilities	-56,613	-62,529
Other liabilities	-845	-1,977
	-212,416	**-201,742**
Net assets	**32,483**	**52,991**
Group’s share of net assets		37,094
Total cost of acquisition		**37,094**

The costs of EUR 37,094 thousand were paid in full to Mackay Sugar Limited in the reporting period. In return, Mackay Sugar Limited issued new shares, with the result that this money remained in the Nordzucker Group when the shares were acquired. The purchase price was paid using cash held by Nordzucker AG. In addition, ancillary costs of EUR 637 thousand were recognized in profit or loss under administrative expenses at Nordzucker.

In the seven remaining months of the reporting period after Mackay Sugar Limited was acquired, it contributed EUR 114,477 thousand to consolidated revenues and EUR 1,817 thousand to net income. For a twelve-month period, this would have corresponded to revenues of EUR 196,246 thousand and net income EUR 3,115 thousand.

For the accounting principles relating to acquisitions, please see Note 3.17.

2.3. GROUP OF CONSOLIDATED COMPANIES

The consolidated companies in the Nordzucker Group are as follows:

GROUP OF CONSOLIDATED COMPANIES

	29/2/2020	28/2/2019
Fully consolidated subsidiaries		
Domestic	**6**	6
Foreign	**15**	11
Companies accounted for using the equity method		
Domestic	**3**	3
Foreign	**4**	1

The total number of fully consolidated subsidiaries increased by four compared with the previous year.

On 31 July 2019, Mackay Sugar Limited Ltd., Mackay, Australia was purchased as a group with two fully consolidated companies, Mackay Commodity Trading Pty Ltd., Mackay, Australia and Queensland Commodity Services Pty Ltd., Mackay, Australia.

In addition, UAB Nordzucker Business Service Center, Kaunas, Lithuania was founded on 31 May 2019 and established as a business service centre.

The number of companies accounted for using the equity method increased by four compared with the previous year. This was due to the purchase of the group Mackay Sugar Limited, Sugar Australia Pty Ltd., Yarraville, Australia, Sugar Australia JV, Yarraville, Australia, New Zealand Sugar Company Pty Ltd, Auckland, New Zealand and Oriana Shipping Co Pte Ltd., Singapore and the disposal of NP Sweet A/S i.L. Copenhagen, Denmark following its liquidation.

The List of investments can be found at the end of these Notes.

The reporting date for all fully consolidated subsidiaries included in the consolidated financial statements is 29 February 2020. The reporting date for all companies accounted for using the equity method and included in the consolidated financial statements is 31 December 2019.

2.4. SIGNIFICANT SUBSIDIARIES

The significant subsidiaries of the Nordzucker Group are listed in the table below:

SIGNIFICANT SUBSIDIARIES

	Group stake
Nordic Sugar A/S, Kopenhagen/Denmark	100 %
Nordic Sugar AB, Malmö/Sweden	100 %
Nordzucker GmbH & Co. KG, Braunschweig/Germany	100 %
Nordzucker Ireland Limited, Dublin/Ireland	100 %
Nordzucker Services GmbH & Co. KG, Braunschweig/Germany	100 %
UAB Nordzucker Business Service Center, Kaunas/Lithuania	100 %
Nordzucker Polska S.A., Opalenica/Poland	99.870 %
Považský Cukor a.s., Trenčianska Teplá/Slovakia	96.798 %
Sucros Oy, Säkylä/Finland	80 %
Suomen Sokeri Oy, Kantvik/Finland	80 %
AB Nordic Sugar Kėdainiai, Kėdainiai/Lithuania	70.6 %
Norddeutsche Flüssigzucker GmbH & Co. KG, Braunschweig/Germany	70 %
Mackay Sugar Limited, Mackay/Australia	70 %

The following business partnerships are structured as limited partnerships (GmbH & Co. KG)

- Nordzucker GmbH & Co. KG, Braunschweig, Germany
- Norddeutsche Flüssigzucker GmbH & Co. KG, Braunschweig, Germany
- Nordzucker Services GmbH & Co. KG, Braunschweig, Germany
- NORDZUCKER SPEZIAL GmbH & Co. KG, Braunschweig, Germany

and are exempt from the respective obligations in accordance with the regulations applicable to companies with limited liability pursuant to Sec. 264b HGB (German Commercial Code).

2.5. CONVERSION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

Assets and liabilities of subsidiaries whose functional currency is not the Euro are converted at the closing rate. The functional currency is the currency of the primary economic environment in which the subsidiary operates. Items in the income statement are converted at the weighted average rate for the relevant reporting period. Equity components of subsidiaries are converted at the historical rate for the date first recognized. Exchange differences arising from the conversion are recognized without effect on profit or loss in other comprehensive income (i.e. in the statement of comprehensive income and not in the income statement).

The rates for the conversion of key financial statements in foreign currencies into Euros have changed as follows:

EXCHANGE RATES OF FOREIGN CURRENCIES

for EUR 1.00	Average rate		Closing rate	
	2019/2020	2018/1920	**29/2/2020**	28/2/2019
Polish Zloty (PLN)	**4.29088**	4.28450	**4.32590**	4.30890
Danish Krone (DKK)	**7.46736**	7.45624	**7.47230**	7.46110
Swedish Krone (SEK)	**10.61918**	10.34089	**10.67380**	10.48440
Australian Dollar (AUD)	**1.61634**	/	**1.68750**	/

3. Explanation of accounting policies

3.1. GENERAL PRINCIPLES

The valuation of the items in the consolidated financial statements is primarily at amortized cost. Derivative financial instruments and actuarial reserves for pension obligations in the form of plan assets, in particular, are recognized at fair value.

Individual line items of the income statement and of the statement of financial position have been aggregated to improve readability. These items are listed in the Notes to the consolidated financial statements.

The income statement has been prepared using the cost-of-sales method. As such, the revenues recognized in the reporting period are compared with the costs incurred to achieve these revenues, categorized by the functional areas of Production, Sales and Administration.

In the statement of financial position, assets and liabilities are categorized as non-current (items with maturities of more than one year) or current.

3.2. RECOGNITION OF INCOME AND EXPENSE

Revenues are recognized in accordance with IFRS 15 when a performance obligation is fulfilled by transferring an agreed commodity or service to a customer. Revenues are reduced by sales discounts.

Operating expenses are recognized when the service is used or as of the date they arise.

Interest is recognized as an expense or as income in the period in which it arises. Interest expense arising in connection with the purchase or production of certain assets is only recognized if they are qualifying assets in accordance with IAS 23.

Dividends are recognized in profit or loss when the legal entitlement is vested.

3.3. INTANGIBLE ASSETS INCLUDING GOODWILL

This item primarily refers to acquired intangible assets, internally generated intangible assets and goodwill.

Acquired intangible assets (purchased rights and licences) are measured initially at cost (purchase price, directly attributable costs). Assets related to acquisitions (see also Note 3.17.), such as contractual customer relationships, trademark rights and no-competition clauses, are recognized as separately acquired intangible assets, provided that the criteria of IFRS 3 and IAS 38 are fulfilled, and measured on initial recognition at fair value.

Internally generated intangible assets (such as internally generated software) are recognized provided that they fulfil the capitalization criteria of IAS 38 (in particular with regard to demonstration of technical feasibility, of the intention and ability to use the asset, as well as of its reliable valuation). Production costs include the costs directly attributable to the development phase, as well as borrowing costs insofar as they can be recognized under IAS 23. Research costs are recognized as an expense.

Separately acquired and internally generated intangible assets with finite lives are subject to amortization after initial recognition. This is done on a straight-line basis under the assumption of the following useful lives:

INTANGIBLE ASSETS

	Useful life in years
ERP licences	20
Other software	3–15

Useful lives are reviewed regularly to ensure they are appropriate. If necessary, they are adjusted accordingly. Impairment losses are recognized on these items if there are indications that intangible assets with finite lives have been impaired in accordance with IAS 36, and if the recoverable amount is less than the amortized cost (see also Note 3.6.). If the reasons for the impairment losses are no longer valid, the relevant reversals of impairments are to be made.

Goodwill arises in conjunction with an acquisition (see also Note 3.17.) if the total consideration transferred to the seller (purchase price and any future contingent considerations) exceeds the net amount of the identifiable assets acquired and the liabilities assumed. The positive difference between the two amounts is recognized under IFRS 3.

Separately acquired and internally generated intangible assets with indefinite useful lives, as well as goodwill, are not subject to scheduled amortization but must be tested for impairment at least once a year in accordance with IAS 36 (see also Note 3.6.). The impairment test for goodwill takes place at the level of the cash-generating unit to which the item was attributed upon initial recognition. Goodwill is assigned to the cash-generating unit that is expected to benefit from the synergies of the business combination. According to IAS 36, a cash-generating unit is the smallest identifiable group of assets with cash inflow that is largely independent of cash inflow from other assets. Within the Nordzucker Group, the lowest possible level is deemed the one within the entity at which goodwill is monitored for internal management purposes. An impairment loss is recognized on goodwill when the recoverable amount attributed to the cash-generating unit for this item is less than the carrying amount of this cash-generating unit; goodwill must then be written down by the amount of this difference. The basis for calculating the recoverable amount is the value in use of the cash-generating unit. The cash-generating unit determines a present-value model taking into account cash flows that are based on internal targets. Reversals of the impairment or increases in the carrying amount of goodwill cannot be carried out later.

Gains or losses resulting from the disposal or impairment of intangible assets are presented on the income statement under “Other income” or “Other expenses”.

3.4. PROPERTY, PLANT AND EQUIPMENT

In accordance with IAS 16, property, plant and equipment is initially recognized at cost and subsequently depreciated on a straight-line basis over its expected useful life. Costs include the purchase price, all directly attributable costs, estimated costs for future decommissioning and restoration obligations, as well as borrowing costs insofar as they can be capitalized under IAS 23.

The following useful lives are assumed for depreciation:

PROPERTY, PLANT AND EQUIPMENT

	Useful life in years
Buildings	20–60
Technical plant and machinery	4–60
Railway tracks	70
Fleet	4–15
Trailers and rolling stock	25
Other operating and office equipment	3–25

Useful lives are reviewed regularly to ensure they are appropriate. If necessary, they are adjusted accordingly. Depreciation starts from the time at which the asset in question becomes ready for use. Production-related property, plant and equipment only used during the campaign is depreciated for the full year. If there is indication of an impairment in accordance with IAS 36 and the recoverable amount is less than the amortized cost, impairment losses are recognized on these items (see also Note 3.6.). If the reasons for the impairment losses are no longer valid, the relevant reversals of impairments are to be made.

Gains or losses resulting from the disposal or impairment of items of property, plant and equipment are presented on the income statement under “Other income” or “Other expenses”.

3.5. INVESTMENT PROPERTY

Property intended to be let to third parties is initially recognized at cost under IAS 40. For subsequent measurement, the Nordzucker Group consistently exercises the option of measuring investment property at cost, less depreciation and impairment write-downs. Depreciation takes place on a straight-line basis over the useful life of 20 to 60 years. An impairment is recognized if there are indications that an impairment has taken place in accordance with IAS 36 and if the recoverable amount is less than the amortized cost (see also Note 3.6.); the impairment is reversed if the indication of the impairment no longer exists in subsequent periods.

3.6. IMPAIRMENT OF INTANGIBLE ASSETS (INCLUDING GOODWILL), PROPERTY, PLANT AND EQUIPMENT AS WELL AS INVESTMENT PROPERTY

Under IAS 36, impairment losses are calculated by comparing the carrying amount with the recoverable amount. This impairment test is applied at the level of individual assets, provided that it is possible to estimate the recoverable amount for the individual asset. If this is not the case, the impairment test must be applied at the level of the cash-generating unit. The cash-generating unit is the smallest possible group of assets that generate largely independent cash inflows.

Due to the previous “sugar from beet” business, the Nordzucker Group was regarded as a uniform and complete cash-generating unit. The acquisition of MSL on 31 July 2019 resulted in the addition of another cash-generating unit, as MSL produces sugar from sugar cane and supplies other geographic markets with sugar.

At the end of each reporting period, a review is conducted to assess whether any indications for the impairment of assets exist. If such an indication exists, the recoverable amount of the asset or cash-generating unit must be determined and compared with the carrying amount. Impairment testing is carried out once a year for goodwill, other intangible assets with indefinite useful lives and for intangible assets not yet available for use – regardless of whether or not indications for impairment exist.

The recoverable amount of an asset or cash-generating unit equates to the higher of fair value less costs of disposal and value in use. For cash-generating units, the recoverable amount is generally calculated using the discounted cash flow method, taking into account cash flows based on internal targets. The cash flows are discounted at a rate which reflects current market assessments of the interest effect and the specific risks of the cash-generating unit.

An impairment is applied if the recoverable amount of the asset or cash-generating unit is lower than the corresponding carrying amount. For cash-generating units, any goodwill must first be reduced or eliminated. If the carrying amount is insufficient, other assets belonging to the cash-generating unit must be reduced proportionally.

With the exception of goodwill, a review must be conducted at the end of each reporting period to assess whether there are any indications that a previously recognized impairment no longer exists or has been reduced. If this is the case, the carrying amount of the asset or cash-generating unit must be increased to its recoverable amount. As such, assets may not be attributed in excess of the amortized carrying amount as would have been determined in the absence of any prior impairment.

3.7. INVESTMENT SUBSIDIES

Government grants representing grants for assets under IAS 20 (i.e. being investment subsidies) are only recorded if there is sufficient reason to believe that a company within the Nordzucker Group is likely to fulfil the associated conditions and the grant will be received. Subsidies are not subtracted from the corresponding asset but are considered as deferred income under “Other liabilities”. The deferred income is subsequently released to profit or loss (i.e. via the income statement) over the useful life or depreciation period of the corresponding item of property, plant and equipment.

3.8. LEASES

The Nordzucker Group has concluded lease contracts for its technical equipment, machinery, vehicles and operating and office equipment. Prior to the initial adoption of IFRS 16, the Group classified its leases (as lessee) as either finance leases or operating leases at the time when the contract was concluded. For further information on the accounting policies used before 28 February 2019, see Note 6.2.

At the first-time adoption of IFRS 16, the Group recorded and assessed all of its leases (with the exception of short-term leases and leases whose underlying asset has a low value) using a single model. For further information on the accounting policies used since 1 March 2019, see Note 5.2.

According to IFRS 16, a lease exists if the lessor affords the lessee the contractual right to control an identified asset for a specified period of time and the lessor receives consideration from the lessee in return.

At the start of the contract, the Group assesses whether this contract constitutes or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If the Group is the lessee of a lease, a right of use is recognized as an asset at the time when the underlying asset is usable, and a corresponding liability (lease liability) is also recognized.

The right of use reflects the right to use the asset underlying the lease in return for consideration. As part of the initial measurement, the corresponding lease liability, the lease instalments that are paid at or prior to the start of the lease, plus any initial direct costs, any demolition obligations and prior to the provision of advance lease payments made less lease incentives received, is capitalized. Subsequent measurement occurs at cost less accumulated depreciation, amortization and impairment. Rights of use are amortized on a straight-line basis over either the term of the lease or the expected useful life of the leased assets, whichever is shorter. Contractual changes, insofar as they are not assessed as being a separate lease, and remeasurements of the lease are also included in the right of use. The capitalized right of use is recognized in the respective asset class in property, plant and equipment. Impairment testing and the recognition of any impairments in relation to capitalized rights of use occurs in accordance with the regulations applicable to property, plant and equipment.

If ownership of the lease asset is transferred to the Group at the end of the lease or a purchase option is exercised and included in the costs, depreciation and amortization is calculated based on the expected useful life of the leased asset.

The lease liability demonstrates the company's obligation to make contractual lease payments and is measured as the present value of these lease payments that have yet to be made. While IFRS 16 requires that the interest rate implicit in the lease be used to calculate the present value, it is often not possible to calculate it. As a result, the incremental borrowing rate is generally used for the purpose of discounting. If the lease payments to be made contain fixed payments or variable lease payments that are linked to an index or interest rate, this is included in the lease liabilities. Variable lease payments that are linked to an index or interest rate are measured using the underlying index or interest rate as soon as it becomes applicable. If residual value guarantees, purchase options or penalties exist in exceptional cases, they should be recognized accordingly in the lease liability if they are expected. Variable lease payments that are not linked to an index or interest rate are recognized as expenses in the period in which the triggering condition occurs. Nordzucker AG regularly uses lease contracts with fixed terms. There are also options to extend or terminate the contracts, in particular those relating to the leasing of production infrastructure and property. When assessing whether corresponding options to extend or terminate the contracts are included in the contract term, all relevant circumstances are examined to determine whether there are economic incentives to exercise or not to exercise these options. Adjustments to the contract term as a result of changed expectations to exercise or not to exercise these options are only made if they are sufficiently safe.

The effective interest method is used for subsequent measurement of the lease liabilities. Cash lease instalments are divided into an interest component recognized in profit or loss and a principal component recognized outside profit or loss. The lease liabilities are reported under financial liabilities, broken down by maturity.

Leases to be recognized in profit or loss under IFRS 16 result from the amortization and, if applicable, impairment of the right of use (operating result), from the discounting of the subsequent measurements of the lease liability (financial result). The contractual lease payments for leases recognized under IFRS 16 are reported exclusively in cash flow from financing activities.

The rights of use in the Group primarily relate to lease contracts for production infrastructure and property. Some of the underlying lease contracts contain variable lease payments and options to extend or terminate the contracts. Leases for production infrastructure essentially relate to the leasing of forklifts and vehicles. The average contract term is 5 years for forklifts and 3 – 4 years for vehicles. Leases for property, in particular production buildings, have an average contractual term of 10 years.

Under IFRS 16, the accounting policies do not have to be applied to leases which have a term of less than twelve months, whose underlying asset has a low value or if the asset is an intangible asset. For the Nordzucker Group, assets are low in value if their new value does not exceed EUR 15,000. In the case of these exemptions, leases are not recognized in the Group's statement of financial position as an amortizable right of use or lease liability. Corresponding payments are reported in cash flow from operating activities and the same amount is recognized as an expense in the operating result.

For leases whereby the Group is the lessor, a distinction is made between finance leases and operating leases in accordance with IFRS 16. Leases are treated as finance leases if the lessor assumes essentially all the risks and opportunities associated with ownership of an asset. At the point in time when the lease asset is made available, the lessor recognizes a lease receivable in its statement of financial position equal to the net investment in the lease and derecognizes the underlying asset from non-current assets. The net investment often comprises the present value of future contractual lease payments. Any lease incentives payable by the lessee, variable lease payments linked to an index or interest rate and residual value guarantees or other contractual payment receivables from the lessee can be added. When initially measuring the net investment and lease receivable, the lessor uses the interest rate implicit in the lease. The cash lease instalments are divided into an interest component recognized in profit or loss and a principal component recognized outside profit or loss, with the interest component included in the net financial result. The effective interest method is used for subsequent measurement of the net investment and lease receivable. For operating leases, the underlying asset continues to be reported under the lessor's non-current assets and depreciated or amortized over its useful life. The lease payments received are recognized in rental income. The leases for which the Nordzucker Group is the lessor are immaterial from a Group perspective and are not explained further.

3.9. FINANCIAL INSTRUMENTS

Financial instruments are defined in IAS 32; the relevant accounting and disclosure principles can be found in IFRS 9 and IFRS 7. The term financial instruments covers both financial assets and financial liabilities. Financial assets include cash and cash equivalents, contractual rights to receive cash or other financial assets such as trade receivables, derivative financial instruments with positive fair value and equity instruments of another company. Financial liabilities include contractual obligations to deliver cash and cash equivalents or other financial assets. These include, for example, borrowing, current loans, trade payables and derivative financial instruments with negative fair value.

Only financial assets are included under "Other financial investments", "Financial assets", "Trade receivables", "Receivables from related parties" and "Cash and cash equivalents". The items "Financial liabilities", "Trade payables", "Liabilities towards related parties" and "Other financial liabilities" only comprise financial liabilities.

For the initial recognition, financial instruments must be assigned to measurement categories as listed in IFRS 9. The subsequent measurement of the items is determined by the measurement category. There are three measurement categories for financial assets ("Financial assets measured at fair value through profit or loss", "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortized cost"). Financial liabilities may be assigned to two measurement categories ("Financial liabilities measured at fair value through profit or loss", "Financial liabilities measured at amortized cost").

Financial assets and liabilities must be recognized as soon as a company becomes a party to the contractual provisions of the financial instrument. Within the Nordzucker Group, regular purchases and sales are recognized on the settlement date (the day on which the asset is supplied to or by the company). Initial recognition is at fair value. The principles of IFRS 13 are applied to determine fair value. For items not measured at fair value through profit or loss, transaction costs must be taken into account in the initial carrying amount.

The Nordzucker Group has not used the voluntary option of designating financial assets or financial liabilities upon initial recognition as at fair value through profit or loss (fair value option).

Following initial recognition, financial instruments in the measurement categories “Financial assets/liabilities measured at fair value through profit or loss” and in the measurement category “Financial assets measured at fair value through other comprehensive income” should be measured at fair value. The measurement categories “Financial assets/liabilities measured at fair value through profit or loss” also include derivative financial instruments that are not part of an effective hedging relationship in accordance with IFRS 9 (see also Note 3.15.). Changes in value of the latter measurement categories are recognized in profit or loss (i.e. in the income statement). The subsequent measurement of items in the measurement category “Financial assets measured at fair value through other comprehensive income” is also at fair value. However, having considered the effects of tax, changes in fair value are recognized without effect on profit or loss in other comprehensive income (i.e. in the statement of comprehensive income and not in the income statement). In the case of equity instruments, the changes in value recognized without effect on profit or loss in this way are never transferred to the income statement.

For derivative financial instruments that are part of an effective hedging relationship (see also Note 3.15.), no measurement category is assigned. The instruments are also recognized at fair value. However, value changes are also recognized without effect on profit or loss in other comprehensive income (i.e. in the statement of comprehensive income) depending on the type of hedging relationship.

Following initial recognition at amortized cost, financial assets in the measurement category “Financial assets measured at amortized cost” and financial liabilities in the measurement category “Financial liabilities measured at amortized cost” are measured using the effective interest method.

Within the Nordzucker Group, the financial assets included under the item “Cash and cash equivalents” are assigned to the measurement category “Financial assets measured at amortized cost”. This includes bank balances, cash in hand and current balances with banks which have an initial remaining term of up to three months. Amortized cost is generally the same as the nominal value.

Borrowing instruments assigned to the measurement categories “Financial assets measured at amortized cost” and “Financial assets measured at fair value through other comprehensive income” are subject to the impairment requirements of IFRS 9. The expected loan loss for the respective item should be recognized at the end of each reporting period. The change in the expected loan loss is an impairment expense or income that must be recognized in profit or loss.

3.10. ASSETS HELD FOR SALE

Under IFRS 5, items classed as “Assets held for sale” include non-current assets and disposal groups classified as “held for sale”. This classification applies if the relevant carrying amount will be recovered principally through a sales transaction rather than through continuing use. In addition, the items must be available for immediate sale in their present condition and the sale must be deemed highly probable, and expected to occur within one year.

Non-current assets are not subject to depreciation, provided that they are classified as “held for sale” or belong to a disposal group classified as “held for sale”. Non-current assets or disposal groups that are classified as “held for sale” must be measured immediately after being classified as such, as well as before subsequent ends of reporting periods, at either the carrying amount or fair value less costs to sell, whichever is lower.

If a non-current asset is no longer classified as “held for sale” or no longer belongs to a disposal group classified as “held for sale”, and if it is again presented as a non-current item at the time of the decision not to sell, it is measured either at the recoverable amount or – if this is lower – at the carrying amount prior to classification, adjusted for all depreciation or remeasurements that would have been recorded in the absence of classification.

3.11. INVENTORIES

Under IAS 2, inventories are measured at the lower of cost and net realizable value. The cost of inventories includes all costs of acquisition and production, as well as any costs incurred in transferring inventories to their current location and in their current condition. Costs are determined using weighted averages. Costs include all direct costs attributable to producing the asset as well as indirect costs attributable to production. Borrowing costs are not included in costs as the Group’s products are not qualifying assets under IAS 23.

The net realizable value is the estimated selling price in the ordinary course of business less estimated costs to completion and estimated costs to sell. The net realizable value of work in progress is inferred from the net realizable value of finished goods and services less the outstanding costs of completion. Semi-finished goods from production processes are measured using their respective full cost approach. Indirect costs are allocated according to production volume and the amount of production work carried out in-house. If the recognized amounts for finished products and goods are higher than fair value as of the end of the reporting period, the inventories are written down to net realizable value. Sugar stocks from internal production presented under finished products are recognized at cost, unless they are recognized at a lower net realizable value in view of sales opportunities. Costs include production costs, indirect costs attributable to the Production department and straight-line depreciation for wear and tear.

Write-downs recorded against inventories to reflect their net realizable value are reversed if the reasons for recognizing the loss no longer exist.

3.12. PROVISIONS FOR PENSIONS

Under IAS 19, provisions must be made for pension commitments in the form of defined benefit plans where the company primarily bears the actuarial risk (that the benefits will result in higher costs than expected) and the investment risk (that the assets invested will not be sufficient to provide the benefits expected). Provisions are presented as a net liability, i.e. the capital accrued to finance the pension payments (actuarial reserves) is offset against the defined benefit obligation (reflecting the future pension payments to the employee) if the actuarial reserves show the defining characteristics of plan assets.

The measurement of the defined benefit obligation is made using actuarial methods (projected unit credit method). This method assumes that each period of service gives rise to an additional unit of benefit entitlement; as such, the defined benefit obligation increases successively until the employee retires. Future payouts are subject to a discount rate, which is calculated at the end of the reporting period based on market returns on high-quality corporate bonds. The method takes into account both actuarial and demographic assumptions (such as expected mortality, fluctuations, early retirement, for example), as well as financial assumptions (such as discount rates and future salary trends, for example).

Cost components with a bearing on pension provisions include service cost, net interest (interest expense, interest income), actuarial gains or losses and return on plan assets. In the income statement, the service cost (i.e. the increase in the present value of a defined benefit obligation arising from a service provided during the reporting period) is presented in the items “Production costs”, “Distribution costs” and “Administrative expenses”, while the net interest is recorded under “Financial expenses”. Net interest is calculated by multiplying net liability by the discount rate of the defined benefit obligation. Actuarial gains or losses and the return on plan assets are recognized without effect on profit or loss in other comprehensive income (i.e. in the statement of comprehensive income and not in the income statement). Actuarial gains and losses are defined as changes in the present value of the defined benefit obligation as a result of experienced adjustments (effects of variations in past actuarial assumptions and actual developments) and effects of changes in actuarial assumptions. The return on plan assets is the variation between the actual return for the plan asset and the accrued interest based on the discount rate for the defined benefit obligation.

3.13. OTHER PROVISIONS

The item “Other provisions” includes personnel-related provisions for anniversaries, partial early retirement, early retirement and severance pay obligations, as well as obligations for profit-sharing, bonuses and other gratuities. Under IAS 19, these are recognized depending on the characteristics of the obligation – either according to the rules for short-term employee benefits, the rules for other (i.e. not considered as pension benefits) long-term employee benefits, or according to the rules for long-term employee benefits resulting from the termination of an employment relationship (termination benefits).

The item “Other provisions” also includes recultivation obligations and other provisions (e.g. for legal disputes or for onerous contracts or imminent losses). Under IAS 37, these kinds of provisions are recognized if a present (legal or factual) obligation has arisen as a result of a past event, which will probably result in an outflow of resources, and if the extent of the provisions can be reliably estimated. The measurement is based on the best-possible estimate of the expenses required to fulfil the obligation before the end of the reporting period. Non-current provisions must be discounted with an interest rate commensurate to the risk.

Other provisions take into account all recognizable legal and factual obligations of the Nordzucker Group towards third parties.

3.14. DEFERRED TAXES

Under IAS 12, deferred taxes are recognized for future tax assets and liabilities resulting from temporary differences between the value of assets and liabilities for tax purposes and their carrying amount in the IFRS financial statements, and for tax loss carry-forwards. Deferred taxes are measured on the basis of the fiscal legislation enacted at the end of each reporting period for the reporting periods in which the differences are expected to reverse or in which it is likely that tax loss carry-forwards will be used. Deferred tax assets for tax loss carry-forwards are only recognized if it is sufficiently likely that they will be realized in the near future. Deferred tax assets are only offset against deferred tax liabilities if specific conditions are fulfilled.

The offsetting entry of deferred taxes is made within the income statement under the item “Income taxes” – unless the tax results from a transaction or event that is recognized directly in equity during the same period or another period either under other comprehensive income (i.e. in the statement of comprehensive income) or in any other place.

For every uncertain tax treatment, the Nordzucker Group determines whether it must be assessed separately or together with one or more other uncertain tax treatments. The Group selects the method that is most suitable for predicting a resolution to the uncertainty.

The Group makes discretionary decisions to a significant extent when identifying uncertainties over income tax treatments. Since it operates in a complex international environment, it has examined whether the interpretation had any effects on its consolidated financial statements.

When initially applying the interpretation, the Group considered whether there are any uncertain tax items. Please refer to Note 5.3. for information on the effects of initial adoption in the reporting period: “IFRIC Interpretation 23 Uncertainty over Income Tax Treatments”.

3.15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Due to the nature of its business, the Nordzucker Group is exposed to interest rate, exchange rate and other market risks. Derivative financial instruments are used as a means of managing these risks.

Accounting for derivative financial instruments is governed by the principles set out in IFRS 9. Derivative financial instruments are either accounted for separately or they are part of an effective hedging relationship (“hedge accounting”). Hedge accounting means addressing hedged items and hedging instruments that are documented as being linked from a financial point of view in such a way that the compensatory effects on the income statement resulting from changes in market prices occur in the same period. If a hedging relationship is designated, recognition of gains and losses from hedged items and hedging instruments is based on special hedge accounting rules. There is a hedge accounting option for every scenario. However, the adoption of hedge accounting rules is tied to certain conditions. For one thing, the hedging relationship must be documented. For another, the hedging context must fulfil certain effectiveness criteria (economic relationship between the underlying transaction and the hedging instrument, no dominant effect of the default risk, hedge ratio is the same as the hedge ratio used for risk management purposes).

The value measure for the initial and subsequent measurement of derivative financial instruments is fair value. The fair value of certain derivatives may be either positive or negative; depending on this, the instruments are classified as either financial assets or financial liabilities. Fair value must be determined in accordance with the principles set out in IFRS 13. If no market prices for active markets are available, fair value is determined using the present value or option pricing models, whose significant input factors (e.g. market prices, interest rates) are derived from price quotations or other directly or indirectly observable input factors.

Stand-alone derivative financial instruments, i.e. those that are not part of an effective hedging relationship according to IFRS 9, are always assigned to the measurement categories “Financial assets/liabilities measured at fair value through profit or loss”. Value changes are recognized in the income statement under either “Financial income” or “Financial expenses”.

For derivative financial instruments in an effective hedging relationship, no measurement category is assigned. They are also recognized at fair value, although their recognition in profit or loss (i.e. in the income statement) or outside profit or loss under other comprehensive income (i.e. in the statement of comprehensive income) depends on the type (fair value hedge, cash flow hedge) or characteristics of the hedge.

Within the Nordzucker Group, interest rate derivatives are always integrated into hedging relationships. Standalone derivatives are also used to hedge currency and market risks.

3.16. TRANSACTIONS AND ITEMS IN FOREIGN CURRENCIES

Under IAS 21, a foreign currency transaction is a transaction that is denominated or requires settlement in a foreign currency, or which must be fulfilled in a foreign currency. A foreign currency is defined as any currency other than the functional currency of the company. Foreign currency transactions are business transactions for the acquisition or sale of goods or services in a foreign currency, borrowing activity or leases in a foreign currency, or acquisitions or sales of assets or debt in a foreign currency by any other means. Foreign currency items are items on the statement of financial position that are received or borrowed in foreign currency (and which were related to foreign currency transactions before initial recognition).

Foreign currency transactions or foreign currency items are translated into the functional currency initially at the spot exchange rate valid on the day of the transaction.

Subsequent measurement of foreign currency items depends on whether they are monetary or non-monetary items. Monetary items in a foreign currency are to be translated into the functional currency at the end of each reporting period using the closing rate (i.e. the spot exchange rate at the end of the reporting period); exchange differences must generally be recognized in profit or loss (i.e. in the income statement). Non-monetary items – provided that they are measured at cost – are translated into the functional currency using the exchange rate on the day of their initial recognition. Non-monetary items measured at fair value must be translated using the exchange rate that was valid on the measurement date (i.e. generally using the closing rate). Exchange differences from non-monetary items should be treated like all other gains or losses, i.e. they are either recognized in profit or loss or outside profit or loss within other comprehensive income (i.e. in the statement of comprehensive income).

3.17. BUSINESS COMBINATIONS

Business combinations are presented using the acquisition method in accordance with IFRS 3. The cost of a business combination is defined as the total consideration paid, measured at fair value as of the acquisition date and the non-controlling interests in the acquired entity. For every business combination, the acquirer measures the non-controlling interests in the acquired entity either at fair value or at their pro rata share of the identified net assets of the acquired entity. Costs incurred in the course of the business combination are recognized as expenses in the income statement.

If the Group acquires an entity, it determines the appropriate categorization and designation of the financial assets and liabilities assumed in accordance with the terms of the contract and under consideration of the economic circumstances and conditions at the acquisition date. This also includes separating embedded derivative financial instruments from their host contract.

For business combinations in stages, the fair value of the equity interest held by the acquirer in the acquired entity is measured as of each acquisition date and the resulting gain or loss is recognized in the income statement.

The agreed contingent consideration is recognized at fair value as of the acquisition date. Subsequent changes in the fair value of a contingent consideration that constitutes an asset or a liability are generally recognized either in the income statement or in other comprehensive income in accordance with IFRS 9. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, which is defined as the excess of total consideration transferred and the amount of any non-controlling interest over the identifiable assets acquired and the liabilities assumed. If this consideration is below the fair value of the net assets of the acquired company, the difference is recognized in the income statement.

After initial recognition, goodwill is not subject to amortization but is tested at least once a year for impairment under IAS 36 (see also Notes 3.3. and 3.6.).

4. Discretionary decisions and estimation uncertainty

The presentation of the net assets, financial and earnings position, as well as the accounting policies, is influenced by estimations and assumptions. Estimated values and actual amounts may vary – sometimes significantly.

In particular, key estimates and assumptions have been made in defining uniform periods of depreciation and amortization for the Group, the amount of impairments on receivables and the incremental borrowing rate for measuring lease liabilities, as well as in determining the actuarial assumptions for measuring pension provisions. At the same time, it is necessary to make a large number of estimates and assumptions to account for provisions or disclose contingent liabilities – particularly with regard to related or potential legal disputes or other pending claims. Estimates, for example, must be made regarding the likelihood of a pending case being ruled in the claimant’s favour, and regarding any payment obligations arising as a recognition of the ruling. There is also estimation uncertainty in the recognition of provisions for onerous contracts or imminent losses with regard to whether a loss is likely, and whether it is possible to estimate this loss reliably. For deferred tax assets, the main estimates relate to the taxable profits that will be generated in future. Other significant estimates are made with regard to the issue of whether there are indications for an impairment of assets or cash-generating units, with regard to the implementation of impairment testing in accordance with IAS 36 with a view to determining cash flows in the forecast period, and with regard to the selection of a suitable capitalization rate. The Nordzucker Group has concluded several lease contracts that contain options to extend or terminate the contracts. These options are negotiated by management so that the portfolio of lease assets can be managed flexibly and in line with the respective business requirements. To assess whether exercising these options to extend or terminate the contracts is sufficiently safe, management must engage in significant discretionary decision-making. We refer to the corresponding Notes to the consolidated statement of financial position for the carrying amounts of balance sheet items affected by significant estimates.

5. Accounting standards to be applied for the first time

5.1. ACCOUNTING STANDARDS APPLIED FOR THE FIRST TIME IN THE CURRENT FINANCIAL YEAR

IASB Pronouncements (published on)	Title	Applicable for financial years on or after
IFRS 16 (13 January 2016)	Leases	01/01/2019
IFRIC Interpretation 23 (7 June 2017)	Uncertainty over Income Tax Treatments	01/01/2019
Amendments to IFRS 9 (12 October 2017)	Prepayment Features with Negative Compensation	01/01/2019
Amendments to IAS 28 (12 October 2017)	Long-term Interests in Associates and Joint Ventures	01/01/2019
Annual improvements to the IFRS (12 December 2017)	2015–2017 Cycle	01/01/2019
Amendments to IAS 19 (7 February 2018)	Plan Amendment, Curtailment or Settlement	01/01/2019

The frist-time adoption of the accounting standards listed in the table had no effect on the presentation of the net assets, financial position and results of operations with the exception of IFRS 16 (Leases) and IFRIC Interpretation 23 (Uncertainty over Income Tax Treatments).

5.2. IFRS 16 LEASES

On 13 January 2016, the IASB published IFRS 16 (Leases), a new standard for the accounting treatment of leases. It has been applied since 1 January 2019 in coordination with the transitional requirements of the standard and replaces the previous requirements for leases.

While IFRS 16 largely retains the existing regulations of IAS 17 (Note 6.2.) for lessors, it provides a single accounting model for lessees. Accordingly, lessees must recognize a right of use as an asset for every lease and also recognize a corresponding liability. The right of use reflects the right to use the asset underlying the lease. The liability demonstrates the company's obligation to make contractual lease payments. Exemptions are in place for leases which have a term of less than twelve months or whose underlying asset has a low value.

IFRS 16 was introduced for all leases whereby the Nordzucker Group is the lessee using the modified retrospective method. As a result, the comparative information from previous years has not been adjusted. It continues to be presented in compliance with the old accounting requirements under IAS 17 (Leases) (for further details, see Note 3. "Explanation of Accounting Policies"). The first-time adoption of IFRS 16 had no effect on equity as of 1 March 2019.

Under the transitional requirements of IFRS 16, first-time adoption does not require a new assessment to determine whether an existing agreement satisfies the definition of a lease in accordance with IFRS 16. Instead, existing assessments of leases that are performed up to and including 28 February 2019 based on the standard IAS 17 and the interpretation IFRIC 4 can be retained. The Group made use of this expedient when initially applying IFRS 16.

With regard to lessees, the rights of use were recognized at the same amount as the corresponding lease liability as part of the Group's first-time adoption of IFRS 16. Initial direct costs were not included when the right of use was measured at the time of first-time adoption. The lease liabilities were regularly measured using the incremental borrowing rate at the time of first-time adoption. In addition, the Nordzucker Group made use of the optional exemption regarding the balance sheet amount for leases with a term of 12 months or less (short-term leases) and leases for assets with a low value.

The payments for these lease contracts continue to be recognized in profit or loss on a straight-line basis over the term of the contract in accordance with the previous IAS 17. Options to extend or terminate the contracts were re-evaluated when the contract term was assessed as part of the first-time adoption of IFRS 16.

As part of the first-time adoption of IFRS 16, the Group recognized lease liabilities for lease contracts previously categorized as operating leases under IAS 17. These liabilities are measured at the present value of the remaining contractual lease payments, discounted using the individual incremental borrowing rate as of 1 March 2019. The weighted average incremental borrowing rate was 2.3 per cent.

The difference between the total future minimum lease payments from operating leases disclosed under IAS 17 in the Notes to the consolidated financial statements as of 28 February 2019 and the lease liabilities recognized under IFRS 16 as of 1 March 2019 was due to the lease contracts measured initially as part of the first-time adoption of IFRS 16 and the exemptions utilized in relation to the balance sheet amount for short-term leases and leases for assets with a low value.

The lease liabilities existing as of 1 March 2019 can be reconciled with the obligations under former operating leases as of 28 February 2019 as follows:

RECONCILIATION OF LEASE LIABILITIES

In EUR thousands		NZ Group
Obligations from operating leases	**As of 28/2/2019**	**7,237**
Weighted average incremental borrowing rate as of 1/3/2019		2.3 %
Discounted obligations from operating leases		7,055
Less obligations from short-term lease contracts		-3,310
Less obligations from leases for assets with a low value		-267
Plus other operating leases		7,060
Obligations from leases classified as finance leases		1,574
Lease liability	**As of 1/3/2019**	12,112

The Group did not change the original carrying amounts for assets and liabilities from leases that were previously classified as finance leases.

The following reconciliation of the carrying amounts for the rights of use and lease liabilities on 1 March 2019 with the carrying amounts as of 29 February 2020 are divided into the former finance leases recognized in the statement of financial position under IAS 17 in conjunction with IFRIC 4 and the former operating leases recognized initially due to the first-time adoption of IFRS 16.

RIGHTS OF USE

In EUR thousands	Former finance leases	Former operating leases
Rights of use 1/3/2019	**2,144**	**10,538**
Addition to group of consolidated companies	585	0
Additions	0	1,976
Disposals	0	84
Depreciation, amortization and impairment	223	5,132
Rights of use 29/2/2020	**2,508**	**7,258**

LEASE LIABILITIES

In EUR thousands	Former finance leases	Former operating leases
Lease liabilities 1/3/2019	**-1,574**	**-10,538**
Addition to group of consolidated companies	-585	0
Additions	0	-1,759
Disposals	0	98
Lease payments	319	4,445
of which repayments	402	4,621
of which interest component	-83	-176
Other changes	-25	-85
Lease liabilities 29/2/2020	**-1,865**	**-7,839**

Due to the first-time adoption of IFRS 16, property, plant and equipment increased by EUR 10,538 thousand and financial liabilities rose by EUR 10,538 thousand. The underlying lease contracts primarily relate to lease contracts for production infrastructure and property. Additions in the 2019/2020 financial year total EUR 1,976 thousand.

5.3. IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

Adoption of IFRIC 23 became mandatory in the reporting year. The interpretation is to be applied when accounting for income taxes under IAS 12 Income Taxes if there is uncertainty over income tax treatments. It does not apply to taxes or duties that are not within the scope of IAS 12 and does not include any pronouncements concerning interest or penalty surcharges arising in connection with uncertain tax treatments. The interpretation deals with the following issues in particular:

- Decision about whether a company should consider uncertain tax treatments independently
- Assumptions that a company makes regarding tax authorities' examinations of tax treatments
- Determination of taxable profit (taxable loss), tax carrying amounts, unused tax losses, unused tax credits and tax rates
- Consideration of changes in facts and circumstances

The Group had to determine whether it should consider each uncertain tax treatment independently or together with one or several other uncertain tax treatments.

The effect of first-time adoption was recognized in the amount of EUR 2,083 thousand outside profit or loss in retained earnings. The addition to current and deferred taxes for the reporting year resulting from the adoption of IFRIC 23 was recognized in profit or loss in the amount of EUR 3,816 thousand.

6. Accounting standards not applied

No IFRS were adopted before the mandatory adoption date in the consolidated financial statements of Nordzucker AG as of 29 February 2020. The pronouncements will be adopted for the first time when their application becomes mandatory. The application of IFRS requires the European Union (EU) to first grant approval (endorsement process), which in some cases is still outstanding.

In addition, the Nordzucker Group has not yet applied IFRS 8 Operating Segments or IAS 33 Earnings per Share; their adoption is only mandatory for capital market companies.

The amendments listed below are not likely to have any major impact on the presentation of the net assets, financial and earnings position or the cash flows of the Nordzucker Group.

6.1. MANDATORY FIRST-TIME ADOPTION IN THE 2020/2021 REPORTING PERIOD OR LATER

These standards or amendments are to be applied to the Nordzucker consolidated financial statements for the first time as of 28 February 2021 or for later reporting periods:

IASB Pronouncements (published on)	Title	Applicable for financial years on or after
Transposed into European law		
Amendments to IFRS standards (29 March 2018)	Amendments to References to the Conceptual Framework in IFRS Standards	01/01/2020
Amendments to IAS 1 and IAS 8 (31 October 2018)	Definition of Material	01/01/2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (26 September 2019)	Interest Rate Benchmark Reform	01/01/2020
Not yet transposed into European law		
Amendments to IFRS 3 (22 October 2018)	Definition of a Business	01/01/2020
IFRS 17 (18 May 2017)	Insurance Contracts	01/01/2021
Amendments to IAS 1 (23 January 2020)	Classification of Liabilities as Current or Non-current	01/01/2022

The IASB's comprehensively revised conceptual framework was published in March 2018. It came into effect immediately upon publication. The conceptual framework is not subject to the EU's endorsement process. The IASB also issued amendments to references to the conceptual framework in IFRS and to quotes from the conceptual framework. This could have an effect, for example, on existing accounting policies which were developed as part of IAS 8.

The amendment to IFRS 3 should help companies to establish whether a transaction is to be accounted for as a business combination or as an acquisition of assets. They specify the minimum requirements for a business operation (presence of input factors and of a substantial process that is essential to the production of outputs). It is no longer necessary to assess whether market participants are capable of substituting missing elements in this process. Additional guidelines should help to assess whether an acquired process is substantial. Furthermore, the definitions of a business operation and an output were narrowed to the extent that they must refer to services to customers.

Based on the amendments to IAS 1 and IAS 8, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by primary users. For the first time, the new definition of materiality includes the obscuration of information as a factor for determining materiality in the area of disclosures. It focuses on the primary users of financial statements as they are defined in the conceptual framework since 2010. Furthermore, information must reasonably be expected to influence their decisions if it is to be classified as material.

IFRS 17 replaces IFRS 4 and provides regulations on accounting for and disclosure of insurance contracts (in particular life insurance, property insurance, direct insurance and reinsurance). In contrast to IFRS 4, IFRS 17 provides a comprehensive model for accounting for all relevant aspects of insurance policies.

On 23 January 2020, the IASB published amendments to IAS 1 under the title “Classification of Liabilities as Current or Non-current”. The amendments specify when a liability for which there is still uncertainty over the settlement date should be classified as current or non-current in the statement of financial position.

6.2. ACCOUNTING POLICIES APPLIED UP UNTIL 28 FEBRUARY 2019

Lease transactions were accounted for based on the regulations of IAS 17 up until 28 February 2019. A distinction is made here between finance leases and operating leases. Lease transactions are treated as finance leases if the lessee assumes essentially all the risks and opportunities associated with ownership of an asset.

If the Group is the lessee of a finance lease, the lower of the fair value of the asset and the present value of the minimum lease payments at the start of the lease is recognized on the assets side of the statement of financial position and the same amount is also recognized on the liabilities side under financial liabilities. The minimum lease payments are divided into an interest component and a principal component of the residual liability, and the liability is subsequently measured using the effective interest method. The lease asset is depreciated on a straight-line basis over its estimated useful life or the shorter contract term.

7. Changes to the reporting structure and changes in accounting policies

No changes were made to the reporting structure in the reporting period.

Changes in accounting policies resulting from the first-time adoption of accounting standards (see Note 5.) had no material effects on the presentation of the Nordzucker Group’s net assets, financial and earnings position with the exception of the circumstances presented under 5.2. and 5.3.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

8. Revenues

Revenues are made up as follows:

REVENUES

in EUR thousands	1/3/2019 – 29/2/2020	1/3/2018 – 28/2/2019
Products		
Sugar	**1,147,831**	1,069,331
Bioethanol	**33,451**	49,086
Animal feed and molasses	**172,466**	162,842
Other	**84,722**	72,527
Total	**1,438,470**	**1,353,786**

Other revenues primarily include sales of merchandise.

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased revenues by EUR 114,477 thousand.

9. Production costs

Production costs comprise the following:

PRODUCTION COSTS

in EUR thousands	1/3/2019 – 29/2/2020	1/3/2018 – 28/2/2019
Cost of materials and services	**-943,858**	-945,218
Personnel expenses	**-156,731**	-128,615
Depreciation, amortization and impairment	**-58,515**	-56,119
Other expenses	**-46,556**	-39,726
Total	**-1,205,660**	**-1,169,678**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased production costs by EUR 100,746 thousand.

10. Sales costs

Sales costs comprise the following:

SALES COSTS

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Freight	**-78,249**	-72,182
Rentals, land leasing and outside warehousing costs	**-38,249**	-40,297
Personnel expenses	**-23,659**	-22,837
Depreciation, amortization and impairment	**-7,963**	-5,312
Advertising	**-6,357**	-8,188
Sales commission	**-1,096**	-875
Other costs of sales	**-21,346**	-22,651
Total	**-176,919**	**-172,342**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased sales costs by EUR 5,279 thousand.

11. Administrative expenses

Administrative expenses are made up as follows:

ADMINISTRATIVE EXPENSES

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Personnel expenses	**-42,185**	-39,413
Consultancy fees	**-8,931**	-10,098
Fees and levies	**-4,074**	-4,402
Depreciation, amortization and impairment	**-6,553**	-5,075
Rentals and land leasing	**-823**	-2,420
Travel costs	**-1,515**	-1,604
Phone/communications	**-1,299**	-1,378
Other administrative expenses	**-5,336**	-5,188
Total	**-70,716**	**-69,578**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased administrative expenses by EUR 9,891 thousand. Excluding MSL, administrative expenses were EUR 60,825 thousand. This was a significant decrease on the previous year which was essentially due to the savings achieved as part of the ActNow! programme.

12. Other income

Other income is made up as follows:

OTHER INCOME

in EUR thousands	1/3/2019 – 29/2/2020	1/3/2018 – 28/2/2019
Insurance and other compensation for damages	**2,131**	427
Income from the reversal of provisions	**8,706**	15,090
Foreign exchange gains	**10,839**	6,995
Proceeds from the disposal of non-current assets	**2,430**	1,548
Reversals of impairments on receivables	**59**	-313
Income from the reversal of investment subsidies, grants and other receivables	**320**	354
Rental and leasing income	**445**	461
Reversals of impairment of intangible assets as well as property, plant and equipment	**0**	587
Income from the repayment of production levies	**0**	7,604
Miscellaneous operating income	**7,413**	5,129
Total	**32,343**	**37,882**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased other income by EUR 2,526 thousand.

As of the 2017/2018 reporting period, currency gains and losses resulting from internal Group loan transactions and associated currency hedging transactions using currency forwards are presented in the income statement under “Other income” or “Other expenses”, without offsetting.

Foreign currency gains and the foreign currency losses presented under other expenses are mainly due to the movement of the relevant national currencies against the Euro.

13. Other expenses

Other expenses are made up as follows:

OTHER EXPENSES

in EUR thousands	1/3/2019 – 29/2/2020	1/3/2018 – 28/2/2019
Personnel expenses	-1,499	-9,878
Depreciation, amortization and impairment	-850	-1,016
Expenses from loss events	-4,048	-1
Research and development	-1,736	-1,623
Foreign exchange losses	-13,230	-7,679
Losses from the disposal of non-current assets	-1,033	-2,640
Impairments on receivables	-230	-196
Expenses from additions to provisions	-3,647	-10,606
Miscellaneous operating expenses	-5,888	-4,520
Total	**-32,161**	**-38,159**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased other expenses by EUR 730 thousand.

As of the 2017/2018 reporting period, currency gains and losses resulting from internal Group loan transactions and associated currency hedging transactions using currency forwards are presented in the income statement under “Other income” or “Other expenses”, without offsetting.

14. Financial income

Financial income is made up as follows:

FINANCIAL INCOME

in EUR thousands	1/3/2019 – 29/2/2020	1/3/2018 – 28/2/2019
Income from other investments	0	4,653
Other interest and similar income	1,407	8,781
Interest income on bank balances	83	46
Other financial income	2,027	1,567
Total	**3,517**	**15,047**

Income from other investments refers to dividends.

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased financial income by EUR 1,735 thousand.

Other interest and similar income in the previous year is primarily interest income relating to the repayment of production levies from the 1999/2000 and 2000/2001 financial years.

Further information on net income from financial instruments can be found in Note 43.

15. Financial expenses

Financial expenses are made up as follows:

FINANCIAL EXPENSES

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Interest expense on provisions	**-4,376**	-4,585
Other interest and similar expenses	**-316**	-1,111
Interest expense from bank balances	**-4,984**	-844
Other financial expenses	**124**	-871
Total	**-9,552**	**-7,411**

Interest expense on bank balances comprises both interest on lines of credit drawn and fees.

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased financial expenses by EUR 4,294 thousand.

Additional information on net income from financial instruments can be found in Note 43.

16. Result from companies accounted for using the equity method

The net income/loss from companies accounted for using the equity method rose by EUR 4,340 thousand compared with the previous reporting period. Companies accounted for using the equity method are shown in the statement of financial position under the item “Financial investments” (see Notes 26.1. and 26.2.).

Composition of result from companies accounted for using the equity method:

RESULT FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Ingolf Wesenberg &Co.AS, Oslo/Norway	**3**	0
NP Sweet A/S, Copenhagen/Denmark	**-1**	-142
ATZU mbH & Co.KG, Hamburg/Germany	**474**	297
Sugar Australia JV, Yarraville/Australia	**2,506**	0
New Zealand Sugar Company Pty Ltd., Auckland/New Zealand	**1,439**	0
Oriana Shipping Co Pte Ltd., Singapore	**74**	0
Total	**4,495**	**155**

17. Income taxes

Income taxes include taxes on income paid or owed in the individual countries and deferred taxes. Income taxes consist of trade tax, corporation tax, solidarity surcharge and the equivalent foreign income taxes. Income tax expense is made up by origin as follows:

INCOME TAXES

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Current taxes		
Current domestic taxes	**-2,599**	-100
Current foreign taxes	**-1,276**	-3,616
	-3,875	-3,716
Deferred taxes		
Deferred domestic taxes	**1,936**	12,329
Deferred foreign taxes	**2,713**	5,906
	4,649	18,235
Income taxes	**774**	**14,519**

The current and deferred income tax expenses affecting previous years impacted net income in the amount of EUR 4,560 thousand.

The expected income tax expense that would have resulted from applying the tax rate of 30.00 per cent that is applicable to the parent company Nordzucker AG (previous year: 30.00 per cent) to the consolidated net income under IFRS before taxes and non-controlling interests can be reconciled to the income tax expense as presented in the income statement as follows:

TAX EXPENSE/TAX INCOME

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
IFRS net profit before income taxes	**-16,183**	-50,298
Group tax rate	**30.00%**	30.00%
Expected tax expense (-)/ tax income (+)	**4,854**	15,089
Tax rate variances	**-34**	-1,037
Taxes for prior years	**-4,560**	840
Tax-free income	**687**	1,453
Non-deductible expenses and permanent differences	**148**	-274
Write-down of unused tax loss carry-forwards	**-1,067**	-1,741
Use of tax loss carry-forwards without DTA	**555**	56
Other effects	**191**	133
Tax expense/tax income	**774**	**14,519**

The corporation tax rate for stock corporations based in Germany is 15 per cent plus 5.5 per cent solidarity surcharge on the corporation tax liability.

Companies based in Germany are also liable for trade tax at a rate determined by multipliers set by the local council.

The effects of differences between foreign tax rates and the Group tax rate for Nordzucker AG (30.00 per cent; previous year: 30.00 per cent) are presented in the reconciliation statement under tax rate variances between Germany and abroad.

Deferred tax assets and liabilities primarily result from temporary valuation differences between the IFRS financial statements and the financial statements of the individual Group companies for local tax purposes for the following items:

DEFERRED TAXES BY BALANCE SHEET ITEM

	29/2/2020		28/2/2019	
in EUR thousands	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	645	1,830	514	1,746
Property, plant and equipment	2,020	99,224	2,212	99,225
Inventories	2,171	6,912	2,063	7,566
Other assets	1,393	933	1,240	198
Pension provisions	46,804	0	36,097	184
Other provisions	5,114	255	3,119	236
Other liabilities	1,703	1,614	1,433	833
Deferred taxes on temporary differences	**59,850**	**110,768**	**46,678**	**109,988**
Deferred tax assets on tax loss carry-forwards	20,386	0	14,827	0
Gross amount	80,236	110,768	61,505	109,988
Offsetting	-63,530	-63,530	-58,182	-58,182
Balance sheet amount	**16,706**	**47,238**	**3,323**	**51,806**

The change in total deferred tax presented in the consolidated statement of financial position at the end of the reporting period of EUR 16,148 thousand (previous year: EUR 21,316 thousand) was reported as an increase in tax income of EUR 4,649 thousand (previous year: EUR 18,235 thousand as an increase in tax expense), i.e. within the income statement. In addition, tax income of EUR 11,530 thousand (previous year: EUR 3,081 thousand) was recognized outside of profit or loss (i.e. in other comprehensive income in the statement of comprehensive income). Changes due to exchange rates are presented in the item “Exchange differences on translating foreign operations”.

Deferred tax assets and liabilities are offset for each company or taxable entity. To the extent that deferred taxes relate to private partnerships, offsetting only takes place at the level of Nordzucker AG for corporation tax purposes. Deferred trade taxes are offset at the level of the individual private partnerships.

The following table shows the changes in deferred tax assets and liabilities:

CHANGES IN DEFERRED TAXES

in EUR thousands	1/3/2019–29/2/2020 Deferred tax assets	1/3/2019–29/2/2020 Deferred tax liabilities	1/3/2018–28/2/2019 Deferred tax assets	1/3/2018–28/2/2019 Deferred tax liabilities
Intangible assets	**130**	**-84**	247	4
Property, plant and equipment	**-191**	**2**	388	2,427
Inventories	**108**	**655**	688	128
Other assets	**153**	**-734**	520	395
Pension provisions	**10,707**	**184**	2,220	-184
Other provisions	**1,994**	**-19**	774	0
Other liabilities	**271**	**-784**	-375	-293
Deferred taxes on temporary differences	**13,172**	**-780**	**4,462**	**2,477**
Deferred tax assets on tax loss carry-forwards	**5,559**	**0**	14,378	0
Total	**18,731**	**-780**	**18,840**	**2,477**

With regard to the surplus of deferred tax assets over deferred tax liabilities at the level of individual companies in the statement of financial position, the value of the deferred tax assets is considered to be sufficiently certain based on the current earnings situation and/or business planning.

No deferred tax assets were recorded in the financial year for foreign tax loss carry-forwards of EUR 132,157 thousand (previous year: EUR 19,148 thousand), as no positive taxable income is expected in the near future. EUR 8,786 thousand (previous year: EUR 5,670 thousand) of the foreign loss carry-forwards is usable for a maximum of four years. In addition, no deferred tax assets were recorded for domestic tax loss carry-forwards of EUR 16,948 thousand (previous year: EUR 16,564 thousand), as no positive taxable income is expected in the near future.

No deferred tax assets were recognized for temporary differences on investments in subsidiaries of EUR 345,205 thousand (previous year: EUR 338,221 thousand) because the Nordzucker Group is able to control the timing of the reversal and the temporary differences will not be reversed in the foreseeable future.

18. Cost of materials and services

The cost of materials and services is made up as follows:

COST OF MATERIALS AND SERVICES

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Cost of raw materials, consumables and supplies and of purchased merchandise	**-921,987**	-810,228
Cost of purchased services	**-87,517**	-83,150
Total	**-1,009,504**	**-893,378**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased the cost of materials and services by EUR 69,340 thousand.

19. Personnel expenses

Personnel expenses are made up as follows:

PERSONNEL EXPENSES

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Wages and salaries	**-189,889**	-165,555
Social security contributions and other social expenses	**-23,530**	-22,004
Expenses for defined contribution plans	**-11,148**	-11,469
Expenses for defined benefit plans	**-4,399**	-4,351
Total	**-228,966**	**-203,379**

Expenses for defined benefit and defined contribution plans consist of Group expenses for defined benefit and defined contribution pension plans and similar obligations. The expenses for defined benefit plans affect service costs. They do not include the net interest expenses of defined benefit obligations associated with pension expenses. These are shown in the income statement under “Financial expenses”.

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased personnel expenses by EUR 28,543 thousand. Excluding MSL, personnel expenses were therefore EUR 200,423 thousand, which was lower than the previous year’s value. This was essentially due to savings already achieved as part of the ActNow! programme. The savings achieved were partly reduced by the provision for bonus payments.

In the reporting period, the Nordzucker Group had an average of 3,539 employees (comparative period: 3,208 employees).

20. Depreciation, amortization and impairment

Depreciation, amortization and impairment are made up as follows:

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

in EUR thousands	**1/3/2019 – 29/2/2020**	1/3/2018 – 28/2/2019
Depreciation or amortization of intangible assets, property, plant and equipment, and investment property	**-72,716**	-65,215
Impairment of intangible assets, property, plant and equipment, and investment property	**-1,525**	-2,444
Total	**-74,241**	**-67,659**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased depreciation, amortization and impairment by EUR 3,536 thousand.

NOTES TO THE CONSOLIDATED BALANCE SHEET

21. Intangible assets

Changes in the individual items of intangible assets are shown in the statement of changes in non-current assets.

At the end of the reporting period, there were no intangible assets with indefinite useful lives.

In the reporting period, research and development expenses of EUR 1,736 thousand (previous year: EUR 1,623 thousand) were recognized in the income statement. These expenses are attributed in full to the item “Other expenses”.

22. Property, plant and equipment

We refer to the statement of changes in non-current assets for the Nordzucker Group for changes in property, plant and equipment.

No items of property, plant and equipment were provided as collateral security at the end of the reporting period and comparative period.

23. Impairment testing for intangible assets and items of property, plant and equipment

Impairment tests for intangible assets and items of property, plant and equipment are mainly performed on the basis of the values in use for cash-generating units.

As explained under Note 3.6., the Nordzucker Group consists of two cash-generating units, “Sugar from beet” and “Sugar from cane sugar”, as and from this reporting period.

In the reporting period and in the comparative period, an impairment test was performed for intangible assets and items of property, plant and equipment at the “Sugar from beet” cash-generating unit. The recoverable amount is based on the value in use in each case. The pre-tax interest rate used to discount the cash flows for this cash-generating unit was 7.98 per cent (rounded, previous year: 7.47 per cent). A growth rate of 0 per cent was assumed for the long-term earnings component of the net cash flow calculation (previous year: 0 per cent). No impairment charges were recognized in the reporting period or comparative period.

The “Sugar from cane sugar” cash-generating unit was newly created following the acquisition and incorporation of MSL into the Nordzucker Group on 31 July 2019. No impairment testing was conducted for this cash-generating unit due to the fact that its acquisition date was just seven months before the end of the financial year. It was incorporated into the Nordzucker Group at the corresponding fair values of its assets and liabilities and no goodwill was recognized and no other indications of an impairment emerged.

24. Leases

The rights of use under lease contracts are reported as part of property, plant and equipment.

The following table shows how the carrying amounts of rights of use developed between 1 March 2019 and 29 February 2020.

DEVELOPMENT OF RIGHTS OF USE IN THE FINANCIAL YEAR 2019/2020

in EUR thousands	Land and buildings	Technical plant and machinery	Other plant, operating and office equipment	Total
Carrying amounts 28/2/2019	**0**	**2,144**	**0**	**2,144**
First-time adoption IFRS 16	**5,627**	1,069	3,842	10,538
Addition to group of consolidated companies	**585**	0	0	585
Additions	**603**	105	1,268	1,976
Disposals	**0**	0	84	84
Depreciation, amortization and impairment	**2,951**	479	1,963	5,393
Carrying amounts 29/2/2020	**3,864**	**2,839**	**3,063**	**9,766**

Depreciation, amortization and impairment includes impairment of EUR 654 thousand. The impairment is due to an area of land which is no longer used but whose contract still has a long remaining term.

The obligations under the lease contracts are secured by the lessor's ownership of the lease assets. The Nordzucker Group is prohibited from assigning and subleasing the lease assets.

The following table shows the amounts for all leases reported in the cash flow statement and income statement:

EXPENSES AND PAYMENTS FROM LEASE CONTRACTS

in EUR thousands	**2019/2020**
Amounts included in statement of cash flows:	
Total payments from lease contracts	8,130
Amounts included in the income statement:	
Depreciation, amortization and impairment	5,374
Interest expense on lease liabilities	259
Expense from short-term leases	9,936
Expense from leases of low-value assets	1,333
Expense from variable lease payments which have not been included in the measurement of the lease liabilities	9

The variable lease payments are immaterial for the Nordzucker Group.

For information on the liabilities resulting from the lease contracts, see Note 36. For further information on the payments resulting from leases, see the Notes to the consolidated cash flow statement.

25. Investment property

Investment property in the Nordzucker Group mainly consists of residences and land not required for operating purposes.

Rental income of EUR 198 thousand (previous year: EUR 18 thousand) was earned in the reporting period; corresponding to these, expenses of EUR 93 thousand (previous year: EUR 8 thousand) were incurred. In addition, expenses of EUR 101 thousand (previous year: EUR 41 thousand) were incurred for which there was no corresponding rental income.

The fair value of the property is EUR 13,563 thousand as of the end of the reporting period (previous year: EUR 8,868 thousand). The fair value was determined on the basis of internal estimates using comparable properties. The fair value rose as a result of the first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group. The resulting increase was EUR 6,777 thousand.

No subsequent costs were recognized in the reporting period or in the comparative period.

26. Financial investments

The following changes in the Nordzucker Group's financial investments occurred in the reporting period.

FINANCIAL INVESTMENTS

in EUR thousands	**29/2/2020**	28/2/2019
MEF Melasse-Extraktion Frellstedt GmbH	**2,400**	2,400
NP Sweet A/S	**0**	130
August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG	**4,608**	4,132
August Töpfer Verwaltungs GmbH	**25**	25
Sugar Australia Pty Limited	**24,061**	0
New Zealand Sugar Company Pty Ltd.	**21,503**	0
Oriana Shipping Co Pte Ltd.	**2,199**	0
Total	**54,796**	**6,687**

26.1. JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

An overview of the joint ventures can be found at the end of this report in the list of shareholdings.

The following table shows the earnings and balance sheet details for the main joint venture accounted for using the equity method and its adoption in the Nordzucker Group.

EARNINGS INFORMATION SUGAR AUSTRALIA PTY LIMITED, YARRAVILLE/AUSTRALIA

in EUR thousands	**2019/2020**	2018/2019
Revenues	215,843	/
Income after taxes	9,892	/
Pro rata income after taxes	2,473	/
Pro rata comprehensive income after taxes	**2,473**	**/**

STATEMENT OF FINANCIAL POSITION INFORMATION SUGAR AUSTRALIA PTY LIMITED, YARRAVILLE/AUSTRALIA

in EUR thousands	**2019/2020**	2018/2019
Non-current assets	93,156	/
Equity	96,245	/
Pro rata equity	**24,061**	**/**
Miscellaneous	0	/
Carrying amount	**24,061**	**/**

MSL has a share of 25 per cent in the Sugar Australia joint venture, Yarraville, Australia. The joint venture’s business activities comprise the production, transportation, storage, sale and distribution of refined sugar, syrups and raw sugar for human consumption as well as similar products and by-products. The investment means that the value chain is extended to include the production of white sugar from the raw sugar produced by Mackay Sugar. Due to vertical integration, the business is classified as strategically significant for Mackay Sugar and therefore for the Nordzucker Group.

26.2. ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

An overview of the associated companies can be found at the end of this report in the list of shareholdings.

The following table shows earnings and balance sheet details for the Nordzucker Group's main associated company.

EARNINGS INFORMATION NEW ZEALAND SUGAR COMPANY PTY LTD., AUCKLAND/NEW ZEALAND

in EUR thousands	**2019/2020**	2018/2019
Revenues	**73,306**	/
Income after taxes	**7,161**	/
Pro rata income after taxes	**1,790**	/
Pro rata comprehensive income after taxes	**1,790**	**/**

STATEMENT OF FINANCIAL POSITION INFORMATION NEW ZEALAND SUGAR COMPANY PTY LTD., AUCKLAND/NEW ZEALAND

in EUR thousands	**2019/2020**	2018/2019
Non-current assets	**42,713**	/
Equity	**86,013**	/
Pro rata equity	**21,503**	**/**
Miscellaneous	**0**	/
Carrying amount	**21,503**	**/**

26.3. OTHER FINANCIAL INVESTMENTS

Financial assets in the measurement category "Available-for-sale financial assets" presented under other financial investments are recognized at the end of the reporting period either at fair value or at cost (see Note 3.9.).

The shares in Tereos TTD a.s. are presented here, despite a stake of 35.38 per cent, because the company's articles do not permit the Group to exercise significant influence over its operating and financial policy.

The Nordzucker Group did not receive any dividends in the reporting year (previous year: EUR 4,654 thousand).

FIXED-ASSET MOVEMENT SCHEDULE 2019/2020

for Nordzucker AG, Braunschweig, Germany

	Cost or fair value									Accumulated depreciation, amortization and impairment								Carrying amounts	
in EUR thousands	As of 1/3/2019	First-time adoption IFRS 16	Restated As of 1/3/2019	Currency effects	Changes to group of consolidated companies	Additions	Reclassifications	Disposals	**As of 29/2/2020**	As of 1/3/2019	Currency effects	Changes to group of consolidated companies	Depreciation, amortization	Impairment	Reclassifications	Disposals	**As of 29/2/2020**	**As of 29/2/2020**	**As of 28/2/2019**
Intangible assets																			
Goodwill	0	0	0	0	0	0	0	0	**0**	0	0	0	0	0	0	0	**0**	**0**	0
Rights, patents and licences	549	0	549	-1	0	0	0	0	**548**	-263	0	0	-42	0	0	0	**-305**	**243**	286
Internally generated intangible assets	2,265	0	2,265	0	0	0	0	0	**2,265**	-2,265	0	0	0	0	0	0	**-2,265**	**0**	0
Other intangible assets	43,278	0	43,278	-5	237	2,552	260	-726	**45,596**	-24,400	14	0	-3,253	-708	2	707	**-27,638**	**17,958**	18,878
Advance payments made	297	0	297	0	0	102	-199	0	**200**	0	0	0	0	0	0	0	**0**	**200**	297
	46,389	**0**	**46,389**	**-6**	**237**	**2,654**	**61**	**-726**	**48,609**	**-26,928**	**14**	**0**	**-3,295**	**-708**	**2**	**707**	**-30,208**	**18,401**	**19,461**
Property, plant and equipment																			
Land and buildings	471,316	5,627	476,943	-932	16,490	20,833	18,464	-832	**530,966**	-280,513	361	-7,066	-10,963	-654	-16	531	**-298,320**	**232,646**	190,803
Technical plant and machinery	1,852,977	1,069	1,854,046	-4,132	150,701	49,248	20,102	-9,424	**2,060,541**	-1,238,424	2,409	-96,324	-53,549	-145	14	8,108	**-1,377,911**	**682,630**	614,553
Other plant, operating and office equipment	49,016	3,842	52,858	-80	561	3,674	212	-1,897	**55,328**	-36,582	69	0	-4,836	-15	0	1,788	**-39,576**	**15,752**	12,434
Advance payments made and plant under construction	42,056	0	42,056	-332	3,689	23,635	-38,839	-4,635	**25,574**	0	0	0	0	-3	0	0	**-3**	**25,571**	42,056
	2,415,365	**10,538**	**2,425,903**	**-5,476**	**171,441**	**97,390**	**-61**	**-16,788**	**2,672,409**	**-1,555,519**	**2,839**	**-103,390**	**-69,348**	**-817**	**-2**	**10,427**	**-1,715,810**	**956,599**	**859,846**
Investment property	**5,874**	**0**	**5,874**	**0**	**7,039**	**0**	**0**	**0**	**12,913**	**-1,240**	**1**	**-227**	**-73**	**0**	**0**	**0**	**-1,539**	**11,374**	**4,634**
	2,467,628	**10,538**	**2,478,166**	**-5,482**	**178,717**	**100,044**	**0**	**-17,514**	**2,733,931**	**-1,583,687**	**2,854**	**-103,617**	**-72,716**	**-1,525**	**0**	**11,134**	**-1,747,557**	**986,374**	**883,941**
Financial investments	**56,423**	**0**	**56,423**	**0**	**65,718**	**1,943**	**0**	**-701**	**123,383**	**-26,719**	**0**	**0**	**0**	**0**	**0**	**0**	**-26,719**	**96,664**	**29,704**
	2,524,051	**10,538**	**2,534,589**	**-5,482**	**244,435**	**101,987**	**0**	**-18,215**	**2,857,314**	**-1,610,406**	**2,854**	**-103,617**	**-72,716**	**-1,525**	**0**	**11,134**	**-1,774,276**	**1,083,038**	**913,645**

FIXED-ASSET MOVEMENT SCHEDULE 2018/2019

for Nordzucker AG, Braunschweig, Germany

	Cost or fair value						Accumulated depreciation, amortization and impairment								Carrying amounts	
in EUR thousands	As of 1/3/2018	Currency effects	Additions	Re-classifi-cations	Disposals	**As of 28/2/2019**	As of 1/3/2018	Currency effects	Depre-ciation, amor-tization	Impair-ment	Reversals of impair-ment	Reclassifi-cations	Dis-posals	**As of 28/2/2019**	**As of 28/2/2019**	As of 28/2/2018
Intangible assets																
Rights, patents and licences	551	-2	0	0	0	**549**	-218	1	-45	0	0	-1	0	**-263**	**286**	333
Internally generated intangible assets	2,265	0	0	0	0	**2,265**	-2,265	0	0	0	0	0	0	**-2,265**	**0**	0
Other intangible assets	37,689	-40	2,954	3,160	-485	**43,278**	-20,809	39	-3,040	-1,061	0	1	470	**-24,400**	**18,878**	16,880
Advance payments made	3,377	0	80	-3,134	-26	**297**	0	0	0	0	0	0	0	**0**	**297**	3,377
	43,882	**-42**	**3,034**	**26**	**-511**	**46,389**	**-23,292**	**40**	**-3,085**	**-1,061**	**0**	**0**	**470**	**-26,928**	**19,461**	**20,590**
Property, plant and equipment																
Land and buildings	470,963	-3,124	6,827	-347	-3,003	**471,316**	-275,127	1,002	-7,692	0	0	7	1,297	**-280,513**	**190,803**	195,836
Technical plant and machinery	1,812,880	-9,801	55,426	4,823	-10,351	**1,852,977**	-1,199,991	4,995	-51,704	-1,155	0	1	9,430	**-1,238,424**	**614,553**	612,889
Other plant, operating and office equipment	49,287	-245	2,620	171	-2,817	**49,016**	-36,825	187	-2,698	-3	0	-10	2,767	**-36,582**	**12,434**	12,462
Advance payments made and plant under construction	9,582	-206	37,350	-4,670	0	**42,056**	0	0	0	0	0	0	0	**0**	**42,056**	9,582
	2,342,712	**-13,376**	**102,223**	**-23**	**-16,171**	**2,415,365**	**-1,511,943**	**6,184**	**-62,094**	**-1,158**	**0**	**-2**	**13,494**	**-1,555,519**	**859,846**	**830,769**
Investment property	**6,872**	**0**	**43**	**-494**	**-547**	**5,874**	**-1,925**	**0**	**-36**	**-225**	**587**	**20**	**339**	**-1,240**	**4,634**	**4,947**
	2,393,466	**-13,418**	**105,300**	**-491**	**-17,229**	**2,467,628**	**-1,537,160**	**6,224**	**-65,215**	**-2,444**	**587**	**18**	**14,303**	**-1,583,687**	**883,941**	**856,306**
Financial investments	**56,109**	**0**	**330**	**0**	**-16**	**56,423**	**-26,719**	**0**	**0**	**0**	**0**	**0**	**0**	**-26,719**	**29,704**	**29,390**
	2.449.575	**-13.418**	**105.630**	**-491**	**-17.245**	**2.524.051**	**-1.563.879**	**6.224**	**-65.215**	**-2.444**	**587**	**18**	**14.303**	**-1.610.406**	**913.645**	**885.696**

27. Inventories

Unfinished goods mainly consist of the thick juice required to produce bioethanol and granulated products.

Write-downs and reversals of write-downs (write-backs) on inventories are recognized under “Production costs” in the income statement. Write-downs of EUR 3,976 thousand were recorded in the reporting period (previous year: EUR 31,567 thousand) and write-backs totalled EUR 2,398 thousand (previous year: EUR 501 thousand). The write-downs in the reporting period and previous period primarily related to valuation adjustments made to reflect the net realizable value of manufactured sugar.

EUR 46,792 thousand was pledged as collateral for liabilities in the reporting year. The inventories pledged for liabilities relate to collateral provided by MSL as part of the existing syndicated loan.

28. Trade receivables

Trade receivables are made up as follows:

TRADE RECEIVABLES

in EUR thousands	**29/2/2020**	28/2/2019
Gross trade receivables	**182,068**	127,332
Impairment loss on trade receivables	**-1,517**	-1,494
Balance sheet amount	**180,551**	**125,838**

Information on the default risks and the age structure of trade receivables is given in Note 44.2. Expenses for impairments on trade receivables in the reporting period amounted to EUR 230 thousand (previous year: EUR 196 thousand).

29. Receivables from related parties

Receivables from related parties are made up as follows:

RECEIVABLES FROM RELATED PARTIES

in EUR thousands	**29/2/2020**	28/2/2019
Receivables from joint ventures	**451**	95
Receivables from other related parties	**8**	29
Balance sheet amount	**459**	**124**

Details on the default risks and the age structure can be found in Note 44.2.

30. Financial assets

Financial assets are made up as follows:

FINANCIAL ASSETS

in EUR thousands	29/2/2020	28/2/2019
Positive fair value of derivative financial instruments	4,281	2,054
Claims for damages	12	5
Other financial assets	5,126	4,850
Balance sheet amount	**9,419**	**6,909**

Details on the default risks and the age structure can be found in Note 44.2.

31. Other assets

Other assets are made up as follows:

OTHER ASSETS

in EUR thousands	29/2/2020	28/2/2019
Receivables from other taxes	24,669	18,674
Miscellaneous other assets	35,215	28,049
Balance sheet amount	**59,884**	**46,723**

Miscellaneous other assets in the reporting period primarily relate to purchased CO_2 certificates in the amount of EUR 23,983 thousand.

32. Assets held for sale

Assets classified as held for sale in accordance with IFRS 5 consist of land and buildings with a carrying amount of EUR 0 thousand (previous year: EUR 201 thousand). The income, expenses and cash flows in the reporting period and comparative period generated by these assets were not material.

33. Equity

Changes in Group shareholders' equity are shown in the statement of changes in shareholders' equity.

Capital management at the Nordzucker Group is founded on a strong equity base and a sustainable dividend policy in order to secure current operations on the one hand and to enable a reasonable dividend yield for the shareholders on the other. As of 29 February 2020, the equity ratio came to 57.7 per cent (previous year: 65.5 per cent). The Executive Board will propose at the Annual General Meeting that no dividend be paid for the 2019/2020 financial year.

Nordzucker AG's Articles of Association do not stipulate any particular capital requirements. The Executive Board manages the Group with the aim of generating a profit. It does this by means of capital-market-related targets for the company which are measured in terms of specific financial indicators. The main financial indicators for the Group are RoCE and EBIT margin.

33.1. SUBSCRIBED CAPITAL

At the end of the reporting period, subscribed capital (share capital) remained unchanged at EUR 123,651,328.00 and was divided into 48,301,300 registered common shares. Subject to the approval of the Supervisory Board, the Executive Board is authorized to increase the share capital by up to 11.11 per cent or up to EUR 13,739,036.16 (authorized capital).

The share capital is fully paid in and, as in the previous year, has a nominal share of subscribed capital of EUR 2.56 per share.

At the end of the reporting period, Nordzucker Holding AG, Braunschweig, Germany, had provided evidence that it held more than 50 per cent of the shares, with 83.77 per cent.

33.2. CAPITAL RESERVES

The capital reserves have been formed from share premiums paid in the course of capital increases by Nordzucker AG.

33.3. RETAINED EARNINGS

Retained earnings are made up of the net income earned in prior financial years and the current period by the companies included in the consolidated financial statements. Goodwill arising on acquisitions made by the Group before 1 March 2004 has been offset against reserves. In the IFRS opening statement of financial position, the balancing item from the conversion of financial statements in foreign currencies was offset against retained earnings.

Retained earnings include statutory reserves of 10 per cent of subscribed capital, amounting to EUR 12,365 thousand which, in line with statutory regulations (Sec. 150 AktG [German Stock Corporation Act]), are not available for distribution to shareholders.

33.4. OTHER COMPREHENSIVE INCOME

Other comprehensive income is made up as follows:

OTHER COMPREHENSIVE INCOME

in EUR thousands	**29/2/2020**	28/2/2019
Remeasurement of defined benefit plans	**-114,440**	-86,668
Exchange differences on translating foreign operations	**6,183**	10,477
Net result of cash flow hedges	**-3,995**	329
Balance sheet amount	**-112,252**	**-75,862**

33.5. NON-CONTROLLING INTERESTS

Non-controlling interests exist in the following companies:

NON-CONTROLLING INTERESTS

in EUR thousands	**29/2/2020**	28/2/2019
Sucros Oy	**20,014**	20,832
AB Nordic Sugar Kėdainiai	**10,224**	10,055
Norddeutsche Flüssigzucker GmbH & Co. KG	**2,436**	2,572
Považský Cukor a.s.	**1,193**	1,336
Nordzucker Polska S.A.	**145**	138
Mackay Sugar Limited	**14,639**	0
Balance sheet amount	**48,650**	**34,933**

Total net income for the period attributable to non-controlling interests amounting to EUR 4 thousand primarily relates to Mackay Sugar Limited (EUR 545 thousand), Sucros Oy (EUR –777 thousand) and Norddeutsche Flüssigzucker GmbH & Co. KG (EUR 202 thousand).

In the comparative period, total net income for the period attributable to non-controlling interests of EUR –2,666 thousand related primarily to AB Nordic Sugar Kėdainiai (EUR –1,687 thousand), Sucros Oy (EUR –928 thousand), Považský Cukor a.s. (EUR –225 thousand) and Norddeutsche Flüssigzucker GmbH & Co. KG. (EUR 200 thousand).

34. Pension obligations

Provisions for pension obligations are made for accrued and current benefits accruing to currently active and former members of staff of the Nordzucker Group and their surviving dependants.

Pension obligations are structured in line with the legal, fiscal and economic conditions in each country.

The Group offers both defined contribution and defined benefit plans. Pension commitments are based on collective agreements and in a few cases on individual agreements with fixed benefit amounts.

The defined benefit plans have commitments both covered by provisions and funded by plan assets. As such, reinsurance was pledged to the beneficiaries for some of the benefit plans in 2005. Furthermore, the Nordzucker Group has concluded an additional pension commitment with a pension fund for some of the benefit plans. As such, 80 per cent of pension obligations can now be funded in full in exchange for a single premium.

In 2012, the Nordzucker Group concluded a defined benefit plan for all new employees that distributes the biometric risks between the employee and the employer. The benefit plan involves changing to a capital commitment with market-based interest.

In the reporting period, the expenses for defined contribution plans amounted to EUR 11,148 thousand (previous year: EUR 11,469 thousand).

Provisions for pension benefits are determined in accordance with IAS 19 on the basis of actuarial assumptions. In the reporting and comparative period, the following weighted financial assumptions were applied:

FINANCIAL ASSUMPTIONS REGARDING PENSION OBLIGATIONS

	2019/2020 reporting period		2018/2019 comparative period	
	Domestic	**Foreign**	Domestic	Foreign
Discount rate	**0.80%**	**1.00%**	1.80%	1.85%
Salary increase	**2.50%**	**2.55%**	2.50%	2.75%
Pension increase	**1.50%**	**1.60%**	1.50%	1.80%

For domestic companies in the Nordzucker Group, the assumptions for life expectancy are taken from the 2018 G mortality tables by Dr Klaus Heubeck.

At a discount rate of 0.8 per cent (previous year: 1.8 per cent), the duration of domestic obligations was 20.9 years (previous year: 19.2 years). At a discount rate of 1.00 per cent (previous year: 1.85 per cent), the duration of foreign obligations was 13.0 years (previous year: 13.0 years).

The following table shows the percentage effect that a change in assumptions would have on the defined benefit obligations at the end of the reporting period, provided the other assumptions remained unchanged:

SENSITIVITY ANALYSIS

		2019/2020 reporting period		2018/2019 comparative period	
		Domestic	**Foreign**	Domestic	Foreign
Discount rate	+0.5%	**-8.35%**	**-7.46%**	-7.69%	-6.97%
	-0.5%	**9.63%**	**-13.91%**	8.78%	7.76%
Salary increase	+0.5%	**0.38%**	**0.27%**	0.36%	1.82%
	-0.5%	**-0.36%**	**-5.77%**	-0.35%	-1.63%
Pension increase	+0.5%	**4.44%**	**-8.96%**	4.40%	6.48%
	-0.5%	**-4.04%**	**-1.46%**	-4.04%	-5.97%

Provisions for pensions and similar obligations disclosed in the statement of financial position changed as follows:

CHANGE IN PENSION PROVISIONS

	Defined benefit obligation			Plan assets			Net liability
in EUR thousands	Domestic	Foreign	Total	Domestic	Foreign	Total	**Total**
As of 1/3/2018	**236,107**	**40,832**	**276,939**	**44,363**	**4,917**	**49,280**	**227,659**
Service cost	3,973	378	4,351	/	/	/	**4,351**
Interest expense/interest income	4,486	871	5,357	843	58	901	**4,456**
Other value changes	0	0	0	0	0	0	**0**
Total recognized on the income statement	**8,459**	**1,249**	**9,708**	**843**	**58**	**901**	**8,807**
Return on plan assets	/	/	/	1,692	-57	1,635	**-1,635**
Actuarial gains/losses	7,670	1,988	9,658	/	/	/	**9,658**
Total remeasurements (not recorded in the income statement)	**7,670**	**1,988**	**9,658**	**1,692**	**-57**	**1,635**	**8,023**
Payments made for reinsurance	/	/	/	512	52	564	**-564**
Reimbursements from reinsurance	/	/	/	-4,587	-598	-5,185	**5,185**
Pension payments made	-8,847	-2,580	-11,427	0	0	0	**-11,427**
Exchange rate differences and other adjustments	/	-808	-808	/	0	0	**-808**
As of 28/2/2019	**243,389**	**40,681**	**284,070**	**42,823**	**4,372**	**47,195**	**236,875**
Service cost	4,090	309	4,399	/	/	/	**4,399**
Interest expense/interest income	4,381	717	5,098	771	47	818	**4,280**
Other value changes	0	72	72	0	0	0	**72**
Total recognized on the income statement	**8,471**	**1,098**	**9,569**	**771**	**47**	**818**	**8,751**
Return on plan assets	/	/	/	8,874	603	9,477	**-9,477**
Actuarial gains/losses	44,627	4,135	48,762	/	/	/	**48,762**
Total remeasurements (not recorded in the income statement)	**44,627**	**4,135**	**48,762**	**8,874**	**603**	**9,477**	**39,285**
Payments made for reinsurance	/	/	/	701	103	804	**-804**
Reimbursements from reinsurance	/	/	/	-4,652	-677	-5,329	**5,329**
Pension payments made	-9,126	-2,609	-11,735	0	0	0	**-11,735**
Exchange rate differences and other adjustments	/	-704	-704	/	0	0	**-704**
As of 29/2/2020	**287,361**	**42,601**	**329,962**	**48,517**	**4,448**	**52,965**	**276,997**

Actuarial losses in the reporting period were primarily due to changes in the actuarial assumptions regarding the discount rate. In addition, the changes to the actuarial tables in the comparative period resulted in an actuarial loss of EUR 2,812 thousand.

For the 2019/2020 reporting period, contributions to plan assets are expected to amount to EUR 1,079 thousand (previous year: EUR 1,058 thousand).

35. Other provisions

Other provisions are made up as follows:

OTHER PROVISIONS

in EUR thousands	As of 28/2/2019	Currency effects	Additions/ reclassifica-tions	Usage	Reversal	**As of 29/2/2020**
Litigation risks and risk provisions	80,200	0	2,802	-4,165	-377	**78,460**
Staff-related provisions	21,778	-6	18,590	-8,026	-1,097	**31,239**
Provisions for suppliers and customers	726	-2	8,965	-7,649	-49	**1,991**
Miscellaneous other provisions	17,339	-63	5,218	-3,962	-7,183	**11,349**
Balance sheet amount	**120,043**	**-71**	**35,575**	**-23,802**	**-8,706**	**123,039**

Provisions for litigation risks and other risks were mainly made to reflect the risks of various ongoing legal proceedings and other legal risks.

Staff-related provisions consist mainly of provisions for profit-sharing, bonuses and other gratuities, holiday and flexitime entitlements and partial early retirement, as well as for early retirement and severance pay obligations.

Miscellaneous other provisions partly relate to recultivation obligations. The provision made for this includes the forecast expenses for the demolition of buildings and recultivation of land used for operations as well as demolition obligations at former production sites. Miscellaneous other provisions were made in the reporting period for outstanding invoices and other anticipated expenses. The reversal was essentially due to a tax obligation that no longer existed at the end of the reporting period.

36. Financial liabilities

Financial liabilities are made up as follows:

FINANCIAL LIABILITIES

in EUR thousands	**29/2/2020**	29/2/2018
Liabilities to banks	**85,675**	4,076
Liabilities from leases	**9,704**	1,574
of which long-term	**6,485**	1,258
of which short-term	**3,219**	315
Balance sheet amount	**95,379**	**5,650**

The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group increased liabilities to banks by EUR 83,182 thousand.

A syndicated loan has been taken out for an initial period of five years to secure the Nordzucker Group’s access to liquidity. The syndicated loan is available to fund short-term operating business and includes a revolving credit for EUR 312,634 thousand, none of which was used in the reporting period.

Interest on the revolving credit partly depends on a certain financial indicator (EBITDA in relation to debt).

In the reporting period and comparative period, the Nordzucker Group did not pledge any financial assets as collateral for financial liabilities.

Lease liabilities increased in the reporting year due to the first-time adoption of IFRS 16. For further information, see Note 5.1. “Accounting standards applied for the first time in the current financial year”. In the subsequent years, lease instalments of EUR 11,661 thousand will be payable to the respective lessors. The interest component included in this amount is EUR 1,957 thousand.

37. Trade payables

Trade payables are made up as follows:

TRADE PAYABLES

in EUR thousands	29/2/2020	28/2/2019
Liabilities towards sugar beet suppliers	137,354	96,377
Other trade payables	115,894	91,771
Balance sheet amount	**253,248**	**188,148**

38. Liabilities towards related parties

Liabilities towards related parties are made up as follows:

LIABILITIES TOWARDS RELATED PARTIES

in EUR thousands	29/2/2020	28/2/2019
Liabilities towards joint ventures	5,570	5,669
Liabilities towards other related parties	37,176	38,887
Balance sheet amount	**42,746**	**44,556**

39. Other financial liabilities

Other financial liabilities are made up as follows:

OTHER FINANCIAL LIABILITIES

in EUR thousands	29/2/2020	28/2/2019
Negative fair value of derivative financial instruments	9,149	3,455
Miscellaneous financial liabilities	36,023	110
Balance sheet amount	**45,172**	**3,565**

The first-time consolidation of MSL increased other financial liabilities to EUR 36,023 thousand.

40. Other liabilities

Other liabilities are made up as follows:

OTHER LIABILITIES

in EUR thousands	**29/2/2020**	28/2/2019
Outstanding social security contributions	**16,515**	16,077
Investment grants, subsidies and other support payments	**4,674**	4,990
Deferrals	**4,236**	3,084
Advance payments received for orders	**114**	99
Miscellaneous other liabilities	**15,938**	15,805
Balance sheet amount	**41,477**	**40,055**

Liabilities from investment grants, subsidies and other support payments are in connection with government grants awarded for the purchase or production of subsidized property, plant and equipment. They are reversed through the income statement over the useful life of the subsidized assets.

In the reporting period and the comparative period, the miscellaneous other liabilities primarily comprised liabilities to beet growers and liabilities from the production levy.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

41. Components of cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise all cash and cash equivalents in the statement of financial position (i.e. cash in hand, cheques and bank balances), provided that they are available for use within three months. Cash is not subject to any restrictions on availability.

42. Other disclosures regarding the cash flow statement

No significant non-cash transactions took place for investing and financing purposes in the reporting period and the comparative period.

No dividends received were accounted for within cash flow from operating activities in the reporting period (previous year: EUR 4,654 thousand).

Cash flow from financing activities in the reporting year included payments for leases which were recognized in the statement of financial position for the first time due to the first-time adoption of IFRS 16. For further information, see Note 5.1. “Accounting standards applied for the first time in the current financial year”.

OTHER DISCLOSURES

43. Other disclosures on financial instruments

The following table lists the carrying amounts for financial assets and financial liabilities by measurement category for the reporting period in accordance with IFRS 9:

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

		Measurement in accordance with IFRS 9				
		FA_AC[2]	FA_FVOCI[3]	FA_FVPL/ FL_FVPL[4]		No category
in EUR thousands	Carrying amount 29/2/2020	Amortized cost	Fair value not recorded in profit or loss	Fair value recorded in profit or loss	Measurement in accordance with IFRS 16	Fair value
Non-current assets						
Other financial investments	41,868	19,663	4,783	17,422	/	0
Financial assets	104	0	0	104	/	0
Current assets						
Trade receivables	180,551	180,551	/	/	/	/
Receivables from related parties	459	459	/	/	/	/
Financial assets	9,315	12	/	4,126	/	5,177
Cash and cash equivalents	139,410	139,410	/	/	/	/
Non-current liabilities						
Financial liabilities	70,112	/	/	/	/	/
Liabilities to banks	63,627	63,627	/	/	/	/
Lease liabilities[1]	6,485	/	/	/	6,485	/
Liabilities towards related parties	5,500	5,500	/	/	/	/
Other financial liabilities	19,910	2,807	/	17,103	/	/
of which hedge accounting MSL	2,852	/	/	2,852	/	/
Current liabilities						
Financial liabilities	25,267	/	/	/	/	/
Liabilities to banks	22,049	22,049	/	/	/	/
Lease liabilities[1]	3,219		/	/	3,219	/
Trade payables	253,248	253,248	/	/	/	/
Liabilities towards related parties	37,246	37,246	/	/	/	/
Other financial liabilities	25,262	19,651	/	5,611	/	/
of which hedge accounting MSL	1,595	/	/	1,595	/	/
Total assets	**371,707**	**340,095**	**4,783**	**21,652**	**0**	**5,177**
Total liabilities	**436,546**	**404,128**	**0**	**22,714**	**9,704**	**0**

1) In accordance with IFRS 7.29(d), the fair value of lease liabilities has not been indicated from the 2019/2020 financial year onwards.
2) Measurement category "Financial assets measured at amortized cost" and "Financial liabilities measured at amortized cost".
3) Measurement category "Financial assets measured at fair value through other comprehensive income".
4) Measurement category "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss".

in EUR thousands	Carrying amount 28/2/2019	Measurement in accordance with IFRS 9: FA_AC[1] Amortized cost	FA_FVOCI[2] Fair value not recorded in profit or loss	FA_FVPL/ FL_FVPL[3] Fair value recorded in profit or loss	Measurement in accordance with IFRS 16	No category Fair value
Non-current assets						
Other financial investments	23,017	19,663	3,354	0	/	0
Financial assets	0	0	0	0	/	0
Current assets						
Trade receivables	125,838	125,838	/	/	/	/
Receivables from related parties	124	124	/	/	/	/
Financial assets	6,909	5		950		5,954
Cash and cash equivalents	265,793	265,793	/	/	/	/
Non-current liabilities						
Financial liabilities	1,258	/	/	/	/	/
Liabilities to banks	0	0	0	0		
Lease liabilities[1]	1,258	0	0	0	1,258	0
Liabilities towards related parties	5,500	5,500	0	0	0	0
Other financial liabilities	0	0	0	0	0	0
Current liabilities						
Financial liabilities	4,392		0	0	0	0
Liabilities to banks	4,076	4,076	0	0	0	0
Lease liabilities[1]	315		0	0	315	0
Trade payables	188,148	188,148	0	0	0	0
Liabilities towards related parties	39,056	39,056	0	0	0	0
Other financial liabilities	3,565	110	0	3,455	0	0
Total assets	**421,681**	**411,423**	**3,354**	**950**	**0**	**5,954**
Total liabilities	**241,918**	**236,890**	**0**	**3,455**	**1,573**	**0**

1) Measurement category "Financial assets measured at amortized cost" and "Financial liabilities measured at amortized cost".
2) Measurement category "Financial assets measured at fair value through other comprehensive income".
3) Measurement category "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss".

The measurement of financial assets and liabilities is made in accordance with the availability of relevant information on the basis of the three levels of the fair value hierarchy detailed in IFRS 7 and IFRS 13. For the first level, market prices for identical assets and liabilities can be observed directly on active markets. For the second level, the measurement is made on the basis of valuation models that are determined by parameters observed on the market. The use of valuation models that are not based on input factors that can be observed on the market is covered by the third level. All derivative financial assets and liabilities are classed under level 2. Accepted financial models are used to determine the fair value of derivative financial instruments; as such, only input factors that can be observed (e.g. interest rates, exchange rates) are taken into account. For derivative financial instruments, fair value corresponds to the amount that the Nordzucker Group would receive or have to pay for the transfer at the end of the reporting period.

For cash and other current financial instruments, i.e. trade receivables, financial assets, derivative financial instruments and other receivables and liabilities, the fair value and the carrying amount at the end of the reporting period are the same.

The net gains or net losses by measurement category (IFRS 9) are as follows:

NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS

in EUR thousands	1/3/2019 –29/2/2020	1/3/2018 –28/2/2019
Financial assets measured at amortized cost (FA_AC)	-1,155	7,588
Financial assets measured at fair value through other comprehensive income FA_FVOCI)	4,495	4,653
Financial assets/liabilities measured at fair value through profit or loss (FA_FVPL/FL_FVPL)	1,440	-3,245
Financial liabilities measured at amortized cost (FL_AC)	-5,299	-1,954
Total	**-519**	**7,042**

Financial assets measured at amortized cost include impairments on receivables, interest from receivables and loans granted, as well as gains or losses from currency translation for receivables. Impairments on receivables and gains or losses from currency translation for receivables are recognized in the income statement under “Other income” or “Other expenses”. Interest from receivables and loans granted is presented under “Financial income”.

The item “Financial assets measured at fair value through other comprehensive income” includes dividends, which are recognized in the income statement under “Financial income” or “Financial expenses”.

Changes in the market value of derivative financial instruments are recognized under financial assets/liabilities at fair value through profit or loss. They are presented in the income statement under “Financial income” or “Financial expenses”, and also under “Revenues” and “Production costs”.

Interest on loans received is recognized within “Financial liabilities measured at amortized cost”. This is presented in the income statement under “Financial expenses”.

The items “Financial income” and “Financial expenses” presented in the income statement include interest income of EUR 1,407 thousand (previous year: EUR 8,781 thousand) and interest expenses of EUR 316 thousand (previous year: EUR 1,954 thousand) from financial instruments not measured at fair value through profit or loss.

No interest income was received from impaired financial assets in the reporting period or in the comparative period.

44. Risk management

44.1. GENERAL REMARKS

The Nordzucker Group has a comprehensive system in place throughout the company for the early identification and permanent monitoring of risk as well as for risk measurement and limitation. The integrated risk management system is used to identify all risks and the appropriate responses and to ensure these are reflected in operational and strategic planning. Potential risks such as default and credit risks, commodity, liquidity and exchange rate risks as well as interest rate risks are assessed permanently as part of risk management, whereby appropriate steps are developed and implemented. Operating and strategic decision-making always takes risk aspects into account. The Group-wide reporting and controlling system ensures that all the responsible decision makers are continually informed.

By the nature of its business, the Nordzucker Group is exposed to default and credit risks, commodity, liquidity and exchange rate risks as well as interest rate risks. These are controlled by means of suitable risk management processes. The Nordzucker Group uses derivative financial instruments to hedge against interest and exchange rate fluctuations and to hedge costs of raw materials. The use of these instruments is governed by Group guidelines and restricted to the hedging of existing transactions or those which are sufficiently likely to take place. The guidelines define the individuals responsible, the limits and reporting and stipulate a strict separation between trading and clearing. This transparent and functional manner of organizing risk management processes applies to all types of risk.

Nordzucker has also installed an adequate reporting system in line with the EU regulation EMIR, which came into effect on 12 March 2014. In accordance with the legal requirements of Sec. 20 paragraph 1 WpHG (German Securities Trading Act), the Nordzucker Group had this system audited during the reporting period by a firm of German public auditors and was not notified of any objections.

44.2. DEFAULT RISK

Credit or default risk is the risk that business partners do not meet their contractual payment obligations, causing the Nordzucker Group to suffer a loss as a result. As part of credit risk management, business partners are subject to a credit scoring in order to reduce default risk. Receivables and loans are subject to the impairment requirements of IFRS 9. Expected credit losses for the default risk must be calculated at the end of each reporting period. The impairment item calculated in this way reduces the respective receivable/loan in the statement of financial position; an impairment expense is recognized in the income statement. If the expected credit losses decrease over time, the impairment item is reduced, while impairment income is simultaneously recognized.

Nordzucker limits the default risk for receivables/loans by obtaining commercial credit insurance. Since this type of insurance is taken into account when calculating expected credit losses in accordance with IFRS 9, the expected credit loss for each individual item is usually extremely low.

In general, the Nordzucker Group does not see itself as exposed to a significant default risk from any individual counterparty. As the customer structure for the Nordzucker Group is diverse, there is only a limited concentration of credit risk. There is therefore no special monitoring and management on the basis of specific risk categories to avoid a concentration of risk.

The maximum default risk corresponds to the carrying amounts of the financial assets on the statement of financial position at the end of the reporting period.

For the portion of the receivables portfolio which has neither been impaired nor is past due, there is no indication as of the end of the reporting period that the Nordzucker Group's debtors will not fulfil their payment obligations.

The Nordzucker Group did not provide or receive financial assets as collateral either in the reporting period or in the comparative period.

44.3. LIQUIDITY RISK

Liquidity risk is the risk that the company cannot meet its payment obligations at the contractually agreed time. To ensure the Nordzucker Group's liquidity, its liquidity needs are monitored and planned centrally. Sufficient cash and short-term credit lines are readily available to meet all obligations when they are due.

The following table shows contractually agreed (undiscounted) interest and capital repayments – also categorized by remaining term – for the non-derivative financial liabilities and for derivative financial instruments.

PAYMENTS FROM FINANCIAL INSTRUMENTS BY REMAINING TERM

in EUR thousands	**Carrying amount**	Gross inflow/ outflow	Remaining term of up to one year	Remaining term of one to five years	Remaining term of more than five years
As of 29/2/2020					
Financial liabilities	**95,379**	-95,379	-25,394	-68,464	-1,521
Liabilities to banks	**85,675**	-85,675	-22,049	-63,626	0
Lease liabilities	**9,704**	-9,704	-3,345	-4,838	-1,521
Trade payables	**253,248**	-253,248	-253,248	0	0
Other financial liabilities, liabilities towards related parties	**82,307**	-82,415	-57,005	-25,410	0
Derivative financial liabilities	**5,611**	-5,611	-5,611	0	0
Derivative financial assets	**-4,177**	4,177	4,177	0	0
Total	**432,368**	**-432,476**	**-337,081**	**-93,874**	**-1,521**
As of 28/2/2019					
Financial liabilities	5,650	-5,961	-4,494	-1,317	-150
Liabilities to banks	4,076	-4,076	-4,076	0	0
Lease liabilities	1,574	-1,885	-418	-1,317	-150
Trade payables	188,148	-188,148	-188,148	0	0
Other financial liabilities, liabilities towards related parties	31,715	-31,815	-26,315	-5,500	0
Derivative financial liabilities	3,455	-3,455	-3,455	0	0
Derivative financial assets	-2,054	2,054	2,054	0	0
Total	**226,914**	**-227,325**	**-220,358**	**-6,817**	**-150**

The term to maturity analysis includes all instruments held for which payments have been contractually agreed as of the end of the reporting period. Forecast payments on expected future liabilities are not included. Floating-rate interest payments on financial instruments are determined using the last interest rates set before the end of the reporting period. Financial liabilities repayable at any time are categorized in accordance with the remaining term according to their estimated repayment dates.

44.4. MARKET RISKS

Market risks arise from potential changes in risk factors, which lead to fluctuations in market values or alterations in future cash flows. The relevant risk factors for the Nordzucker Group are exchange rate and interest rate fluctuations, as well as changes in the price of commodities.

a. Exchange rate risk
Due to its business operations in different countries which are not part of the Eurozone, the Nordzucker Group is exposed to an exchange rate risk.

IFRS 7 requires the disclosure of a sensitivity analysis to illustrate the dimensions of exchange rate risks. The application of sensitivity analyses enables the calculation for this type of risk of the effects that a change of the given exchange rate at the end of the reporting period would have on the net income for the period and on the equity of the Nordzucker Group. The effects are determined by applying a hypothetical change of 10 per cent in the exchange rates to the amount of the relevant items in foreign currencies (the net risk position in the foreign currency) as of the end of the reporting period. It is assumed that the exposure at the end of the reporting period is representative of the whole reporting period.

The net risk position is adjusted for planned transactions within the next twelve months and for existing hedging instruments (even if no hedging relationship in accordance with IFRS 9 exists).

Foreign currency positions in Danish Krone are only exposed to an insignificant exchange rate risk, as the country is part of the European Union's exchange rate mechanism. The exchange rate risk from foreign currency positions in US Dollars is also insignificant as the amounts are minor and are hedged directly. The first-time consolidation of MSL in the group of consolidated companies of the Nordzucker Group did not result in any additional risks.

Furthermore, the Nordzucker Group hedges a large proportion of actual currency risks using the natural hedge approach and through the targeted use of derivatives, so that the remaining net risk exposure is insignificant.

b. Interest rate risk
Due to its borrowing activities, the Nordzucker Group is exposed to interest rate risk. Financing is arranged in various currency areas, although the most frequent currency is the Euro, along with the Australian Dollar (AUD) for Mackay Sugar's financing activities. Interest rate risks from financing activities denominated in Swedish Krona, Polish Zloty or Danish Krone are insignificant, as the amounts involved are minor.

In accordance with IFRS 7 interest rate risks are illustrated using sensitivity analyses. A sensitivity analysis determines the effect that a change in market interest rates at the end of the reporting period would have on the net income for the period and on equity.

In the reporting and comparative periods, no cash flow hedges were used to hedge the interest rate risk of floating-rate instruments since these funds are scheduled to be repaid shortly and no further loans are to be taken out at floating rates of interest thereafter. In view of the remaining duration of the derivatives, a hypothetical change in the relevant interest rates for floating-rate instruments of +/- 50 basis points would therefore not have a significant effect in relation to the Group's equity and net interest.

Mackay Sugar uses interest rate derivatives to hedge the interest rate risk arising from long-term financing.

In terms of its investments, the Nordzucker Group has been faced with a new development across Europe since the 2015/2016 financial year. The new reserve policy of the European Central Bank and other central banks, entailing negative interest rates on banks' reserve facilities, resulted in increasing pressure on the interest rates paid on the credit balances of corporate clients. A number of institutes are already demanding negative interest rates on deposits. The Nordzucker Group responded to this trend early on and remains in a position that gives it considerable scope to invest money without negative interest rates. In addition, the Nordzucker Group now also invests cash and cash equivalents in alternative investments. The objective here is to prevent losses as a result of negative interest rates while also minimizing the risk of changes in value.

c. Commodity risk

As a result of its business activities, the Nordzucker Group is exposed to various price risks for commodities. These primarily relate to world market prices for sugar, energy sources and the related CO_2 emissions.

d. Hedging activities

The Nordzucker Group uses derivative financial instruments solely to hedge interest rate and exchange rate risks as well as price risks for raw materials.

As a rule, the existing interest rate risk for floating-rate loans is reduced by means of interest rate derivatives. All interest rate derivatives are designated as cash flow hedges in hedging relationships under IFRS 9.

It is generally assumed that the hedged transactions will actually take place. If a hedging transaction is cancelled, the amounts accumulated in other comprehensive income during the term of the transaction are reversed when the hedged item is recognized in profit or loss or if it no longer takes place.

In addition to the natural hedge approach for Poland and Sweden, the gross positions are hedged to reduce exchange rate risk. Exchange rate risks are also hedged by means of appropriate derivatives such as currency futures – including for periods of less than a year. At the end of the reporting period, these derivatives had positive fair values totalling EUR 1,748 thousand (comparative period: EUR 10 thousand) and negative fair values totalling EUR 184 thousand (comparative period: EUR 391 thousand).

MSL, which was first consolidated in the reporting year, uses derivative financial instruments primarily for the purpose of hedging risks. Unless otherwise stated, hedge accounting is used for all derivative financial instruments. MSL establishes an economic relationship between the transaction being hedged (underlying transaction) and the hedging instrument (derivative) in order to assess the hedging relationship and effectiveness. The effectiveness is measured at the beginning and then on a regular basis as required. This is done by designating a single hedging instrument or a combination of hedging instruments as a cash flow hedge in order to compensate for changes in the underlying transaction's cash flows. The nominal amount of the hedging instrument corresponds to that of the underlying transaction, and the cash flows match the dates unless otherwise stated. Changes in the values of the derivative financial instruments are offset with the changes in the fair values or with the underlying transaction's cash flows and, unless otherwise stated, have a hedging ratio of 100 per cent when the hedges are structured.

As of the end of the reporting period, the Group holds derivative financial instruments aimed at hedging currency risks and price risks for sugar and energy. Almost all of the derivative financial instruments mature within one year.

In order to protect itself from fluctuations in the consolidated net income for the period due to raw material price and exchange rate movements, the Nordzucker Group has designated future purchases of raw materials as underlying transactions for cash flow hedging purposes. The hedging instruments used are corresponding forward transactions on commodities and currency futures, which had positive fair values totalling EUR 2,429 thousand as of the end of the reporting period (comparative period: EUR 2,044 thousand) and negative fair values totalling EUR 7,660 thousand (comparative period: EUR 2,381 thousand). During the reporting period, income after deferred taxes of EUR 57 thousand (comparative period: EUR 2,791 thousand) was recognized outside of profit or loss (i.e. in other comprehensive income in the statement of comprehensive income). In addition, an amount of EUR 1,669 thousand was reclassified from other comprehensive income and presented as a reduction in the cost of inventory (comparative period: EUR 3,740 thousand). As a result of sales of these inventories, the "Production costs" presented in the income statement were reduced by EUR 504 thousand (comparative period: EUR 1,062 thousand). At the end of the reporting period, hedging relationships resulted in expenses of EUR 2,459 thousand (comparative period: EUR –420 thousand) which was recognized in other comprehensive income. No amounts were recognized in the income statement as ineffective components of hedging relationships in the reporting period or in the comparative period.

A sensitivity analysis for the market values in the statement of financial position would not have a significant effect on the Group's equity and earnings.

The Group does not measure the derivatives itself. The fair value determination is carried out by the contracting banks using accepted financial methods and observable input factors (level 2 of the fair value hierarchy).

45. Related party transactions

For the Nordzucker Group, related parties within the meaning of IAS 24 are individuals and companies which control the Group or exercise significant influence over it or are controlled or significantly influenced by the Group. The first category includes the active members of the Executive Board and Supervisory Board of Nordzucker AG and its majority shareholder Nordzucker Holding AG. In addition, the subsidiaries, parent company, joint ventures and associated companies of the Nordzucker Group are defined as related parties.

Receivables from and liabilities towards related parties are based on arm's length transactions.

The following commercial relationships existed with related parties in addition to those existing with fully consolidated subsidiaries:

RELATED PARTY TRANSACTIONS

in EUR thousands	**29/2/2020**	28/2/2019
Statement of financial position		
Receivables from related parties	**459**	124
Liabilities towards related parties	**42,746**	44,556
Income statement		
Services provided to related parties	**129**	409
Net financial result	**4,495**	155

The receivables from related parties in the reporting period of EUR 459 thousand (comparative period: EUR 95 thousand) primarily relate to August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG.

Of the liabilities towards related parties in the reporting period, EUR 12,663 thousand was owed to Nordzucker

Holding AG, Braunschweig, EUR 3,418 thousand to SWEETGREDIENTS GmbH & Co. KG, Nordstemmen, EUR 5,570 thousand to MEF Melasse-Extraktion Frellstedt GmbH, Frellstedt, and EUR 19,519 thousand to Union Zucker Südhannover GmbH, Nordstemmen. Of the liabilities towards related parties in the comparative period, EUR 12,950 thousand was owed to Nordzucker Holding AG, Braunschweig, EUR 3,439 thousand to SWEET-GREDIENTS GmbH & Co. KG, Nordstemmen, EUR 5,671 thousand to MEF Melasse-Extraktion Frellstedt GmbH, Frellstedt, and EUR 21,000 thousand to Union Zucker Südhannover GmbH, Nordstemmen.

Nordzucker Holding AG and Union Zucker Südhannover GmbH are shareholders of Nordzucker AG; the liabilities relate to loans and current accounts. The remaining liabilities relate to other related parties and result largely from loans and trade in goods and services.

The net financial result is from associated companies and joint ventures.

46. Contingent liabilities

As of the end of the reporting period and comparative period, there were no contingent liabilities towards third parties outside the Group.

47. Other financial obligations and contingent receivables

The Nordzucker Group's other financial obligations are made up as follows:

OTHER FINANCIAL OBLIGATIONS

in EUR thousands	**29/2/2020**	28/2/2019
Purchase commitments for property, plant and equipment	**30,826**	22,206
Purchase commitments for intangible assets	**613**	319
Total	**31,439**	**22,525**

48. Auditors' fees

Companies in the Nordzucker Group purchased services for a total amount of EUR 360 thousand from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (previous year: EUR 323 thousand), in connection with the statutory audit of financial statements for the Nordzucker Group and Nordzucker AG, and for a total amount of EUR 5 thousand (previous year: EUR 2 thousand) for tax advisory services and other services for a total of EUR 60 thousand (previous year: EUR 344 thousand).

49. Supervisory Board and executive Board

In the reporting period, the Supervisory Board was made up as follows:

SUPERVISORY BOARD

Shareholder representatives

Jochen Johannes Juister,
Farmer, Nordhastedt
Chairman

Helmut Bleckwenn,
Farmer, Garmissen
Deputy Chairman

Dr. Karl-Heinz Engel,
former Managing Director
of Hochwald Foods GmbH, Riol

Friedrich Christoph Heins,
Farmer, Uehrde

Rainer Knackstedt,
Farmer, Dedeleben

Dr. Carin-Martina Tröltzsch,
Managing Director of DuPont Deutschland Holding
GmbH & Co. KG, Bad Homburg v.d. Höhe

Grit Worsch,
Chair of the Executive Board of
VR PLUS Altmark-Wendland eG, Woltersdorf

Alexander Heidebroek
Farmer, Gevensleben

Bernd Schliephacke
Farmer, Rohrsheim

Henrik Madsen (since 27/6/2019),
Chief Executive Officer of
Hauptgenossenschaft Nord AG, Kiel

Employee representatives

Sigrun Krussmann,
Laboratory Technician, Seelze
Deputy Chairwoman

Steffen Blümel,
Energy Facility Electrician, Uelzen

Ulf Gabriel,
Electrician, Banteln

Olaf Joern,
Mechatronics Engineer, Uelzen

Matthias Kranz,
Human Resources Administrator,
Groß Schwülper

The members of the Executive Board in the reporting period were as follows:

EXECUTIVE BOARD

Dr Lars Gorissen,
Braunschweig, Chief Executive Officer

Axel Aumüller,
Braunschweig, Chief Operating Officer

Erik Bertelsen,
Braunschweig, Chief Marketing Officer

Alexander Bott,
Düsseldorf, Chief Financial Officer

50. Remuneration report

In the following section, the principles of remuneration for members of the Executive Board and Supervisory Board of Nordzucker AG are described and the amount of their remuneration disclosed, together with disclosures on shares held by members of the Executive Board and Supervisory Board.

50.1. REMUNERATION OF THE EXECUTIVE BOARD

The structure and amount of Executive Board remuneration are determined and regularly reviewed by the full Supervisory Board following a proposal from the Human Resources Committee of the Supervisory Board.

The criteria for determining the remuneration of individual Executive Board members are their responsibilities, personal performance, the economic situation, business success, future prospects, sustainable corporate development and also the extent to which the remuneration is generally accepted considering the sphere of comparison and remuneration structures applicable elsewhere in the company.

The total remuneration of Executive Board members includes monetary payments, benefit commitments and other commitments such as the provision of a company car. The monetary remuneration components consist of a fixed basic annual salary, paid in twelve equal monthly instalments, as well as a variable earnings and performance-related payment. The variable portion, plus any special remuneration, can be up to a maximum of 50 per cent of total compensation (total compensation is made up of the fixed basic annual salary and the variable remuneration, as well as any special remuneration). Since the 2016/2017 reporting period, the variable remuneration paid to Executive Board members has been calculated based on a one-year observation period and taking key indicators that are relevant for control purposes into account. The Executive Board's variable remuneration for the 2019/2020 financial year was based on the successful implementation of earnings contributions resulting from sustainable savings in the Group. The variable remuneration components are no longer measured on the basis of several years following the modification of the remuneration system as of 1 March 2016.

The Executive Board also received special remuneration in the 2019/2020 financial year. The Supervisory Board thus rewarded the successful acquisition of the second-largest sugar producer in Australia, Mackay Sugar Limited. For the Nordzucker Group, this acquisition represents a key stage in its strategy to develop new markets, produce sugar from cane sugar for the first time and make a significant geographic expansion. It is also expected to deliver a sustainable contribution to the company's success.

This results in the following remuneration for individual members of the Executive Board for the 2019/2020 reporting period and for the 2018/2019 comparative period:

REMUNERATION OF EXECUTIVE BOARD MEMBERS 2019/2020

	Cash payments		Pensions	Other*	**Total**
in EUR	Fixed salary	Variable annual bonus			
Dr Lars Gorissen	610,000	330,000	125,000	18,324	**1,083,324**
Axel Aumüller	575,000	275,000	125,000	20,084	**995,084**
Erik Bertelsen	450,000	245,000	125,000	20,520	**840,520**
Alexander Bott	400,000	245,000	125,000	14,359	**784,359**
Total	**2,035,000**	**1,095,000**	**500,000**	**73,287**	**3,703,287**

*) Monetary benefits in line with tax regulations, e.g. from the provision of company cars etc.

REMUNERATION OF EXECUTIVE BOARD MEMBERS 2018/2019

	Cash payments		Pensions	Other*	**Total**
in EUR	Fixed salary	Variable annual bonus			
Dr Lars Gorissen	610,000	0	125,000	17,934	**752,934**
Axel Aumüller	575,000	0	125,000	19,858	**719,858**
Erik Bertelsen	425,000	0	125,000	19,948	**569,948**
Dr Michael Noth	146,250	0	125,000	536,045	**807,295**
Alexander Bott	197,323	0	62,500	8,007	**267,830**
Total	**1,953,573**	**0**	**562,500**	**601,792**	**3,117,865**

*) Monetary benefits in line with tax regulations, e.g. from the provision of company cars etc.

The members of the Executive Board are assured pension commitments in the form of defined benefit commitments and defined contribution commitments.

Former Executive Board members received pension payments of EUR 856 thousand (previous year: EUR 836 thousand). Nordzucker AG recognized provisions of EUR 12,455 thousand (previous year: EUR 11,579 thousand) for pension commitments to former Executive Board members.

In the reporting and comparative period, members of the Executive Board received neither loans nor advances from the company.

50.2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is based on the size of the company, the duties and responsibilities of the members of the Supervisory Board and the economic situation of the company. The remuneration includes a dividend-related component and an attendance fee, in addition to a fixed payment. The chairs and deputy chairs of the Supervisory Board and the chairs of committees as well as those participating in them receive additional remuneration (with the exception of the Nomination Committee).

The remuneration of the Supervisory Board is defined in Sec. 14 of the Articles of Association of Nordzucker AG.

In accordance with these rules, members of the Supervisory Board receive a fixed salary of EUR 18,000 and a dividend-related payment of EUR 90 for every EUR 0.01 of dividend paid out per share on average over the past three years. Subject to approval at the Annual General Meeting, the dividend for the 2019/2020 reporting period will be EUR 0.00 per share (2018/2019 reporting period: EUR 0.00; 2017/2018 reporting period: EUR 1.20). The amount of variable remuneration is limited to the amount of one fixed salary. The Chairman of the Supervisory Board receives 2.5 times the total of fixed and variable remuneration of an ordinary member, the Deputy Chairman and the Chairmen of the committees each receive 1.4 times the remuneration of an ordinary member, and committee members receive 1.2 times the remuneration of an ordinary member. If a member of the Supervisory Board occupies more than one of these positions, the increased rate of remuneration only applies once. In addition, every member of the Supervisory Board receives an attendance fee of EUR 300 for attending each meeting of the Supervisory Board and its committees. A maximum of two meetings per day can be remunerated.

Subject to the approval of the dividend proposal at the Annual General Meeting, the following payments will be made for the 2019/2020 reporting period:

REMUNERATION OF SUPERVISORY BOARD MEMBERS 2019/2020

Figures in EUR	Fixed remuneration*	Variable remuneration*	Total	Factor	Pro rata	**Total remuneration**	**Attendance fee***	**Total**	**Total previous year****
Jochen Johannes Juister	18,000	3,600	21,600	2,5	336/366	54,000	5,400	**59,400**	55,402
Helmut Bleckwenn	18,000	3,600	21,600	1,4	336/366	30,240	4,800	**35,040**	35,113
Sigrun Krussmann	18,000	3,600	21,600	1,4	336/366	30,240	3,600	**33,840**	39,102
Steffen Blümel	18,000	3,600	21,600	1,2	336/366	25,920	3,300	**29,220**	32,643
Dr Karl-Heinz Engel	18,000	3,600	21,600	1,0	336/366	21,600	2,100	**23,700**	27,930
Ulf Gabriel	18,000	3,600	21,600	1,2	336/366	25,920	3,600	**29,520**	32,943
Alexander Heidebroek	18,000	3,600	21,600	1,2	336/366	25,920	3,300	**29,220**	22,315
Friedrich Christoph Heins	18,000	3,600	21,600	1,4	336/366	30,240	3,900	**34,140**	36,534
Olaf Joern	18,000	3,600	21,600	1,2	336/366	25,920	3,600	**29,520**	33,243
Rainer Knackstedt	18,000	3,600	21,600	1,0	336/366	21,600	2,100	**23,700**	27,330
Matthias Kranz	18,000	3,600	21,600	1,2	336/366	25,920	2,700	**28,620**	33,216
Henrik Madsen	18,000	3,600	21,600	1,0	248/366	14,636	900	**15,536**	0
Bernd Schliephacke	18,000	3,600	21,600	1,2	336/366	25,920	3,000	**28,920**	20,555
Dr Carin-Martina Tröltzsch	18,000	3,600	21,600	1,2	336/366	25,920	3,300	**29,220**	32,943
Grit Worsch	18,000	3,600	21,600	1,2	336/366	25,920	3,300	**29,220**	33,816
Hans-Christian Koehler	0	0	0	0,0	/	0	0	**0**	23,315
Hans Jochen Bosse	0	0	0	0,0	/	0	0	**0**	11,227
Dr Harald Isermeyer	0	0	0	0,0	/	0		**0**	11,827
Summe						**409,916**	**48,900**	**458,816**	**509,454**

*) Does not include the VAT paid on behalf of Supervisory Board members for their work.
**) Rounding differences.

Furthermore, the members of the Supervisory Board are reimbursed for all out-of-pocket expenses incurred in the exercise of their duties as well as for the VAT payable on their remuneration and on the reimbursed expenses. The total amount of these reimbursements, including VAT, was EUR 15 thousand (previous year: EUR 22 thousand).

No members of the Supervisory Board received loans or advances from the company in the reporting and comparative period.

50.3. SHARES HELD BY MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

Members of the Executive Board hold no significant amounts of shares.

As of 29 February 2020, members of the Supervisory Board and related parties held under 1 per cent of the issued share capital of Nordzucker AG. The shares bear no relation to the remuneration of the Supervisory Board.

50.4. OTHER

Board members of Nordzucker AG are indemnified by Nordzucker AG against third-party liability as allowed by law. For this purpose, the company has taken out D&O insurance for members of the Boards of Nordzucker AG. The insurance policy is taken out or renewed annually and covers the personal liability of Board members for claims for damages arising in the course of their work. It includes an excess in accordance with Sec. 3.8 of the German Corporate Governance Code.

51. Dividend proposal

The dividends that can be distributed to shareholders are defined in the German Stock Corporation Act (AktG) as the net distributable profit as determined under German commercial law and disclosed in the annual financial statements of Nordzucker AG. The annual financial statements of Nordzucker AG for the 2019/2020 reporting period show a net loss of EUR 81,347 thousand. The Executive Board proposes that no dividend be paid for the 2019/2020 reporting period (previous year: no dividend).

52. Events after the reporting period

Since the end of the financial year, the coronavirus pandemic has had an adverse impact socially and economically in Germany and around the world. For details about the effects on the Nordzucker Group, we refer to the information in the forecast section of the management report.

Braunschweig, Germany, 29 April 2020

The Executive Board

Dr. Lars Gorissen | Axel Aumüller | Alexander Bott | Erik Bertelsen

LIST OF INVESTMENTS

of Nordzucker AG, Braunschweig, as of 29 February 2020

		Shareholding		
		direct	indirect	
	Shortened form	%	%	via companies
Consolidated subsidiaries				
Norddeutsche Flüssigzucker GmbH & Co. KG (Braunschweig, Germany)	NFZ KG	70 %		
Nordzucker Spezial GmbH & Co. KG (Braunschweig, Germany)	NZ SPEZIAL	100 %		
Nordzucker GmbH & Co. KG (Braunschweig, Germany)	NZ KG	100 %		
Nordzucker Services GmbH & Co. KG (Braunschweig, Germany)	NZ Services KG	100 %		
BZN Erste Holdinggesellschaft mbH	BZN Erste	100 %		
BZN Zweite Holdinggesellschaft mbH	BZN Zweite	100 %		
Nordzucker Polska S.A. (Opalenica, Poland)	NZ Polska	99.87 %		
Považský Cukor a.s. (Trencianska Tepla, Slovakia)	Povazsky	96.798 %		
Nordic Sugar Holding A/S (Copenhagen, Denmark)	NSH AS	100 %		
Nordic Sugar A/S (Copenhagen, Denmark)	NS AS		100 %	NSH AS
Titoconcerto AB (Malmö, Sweden)	Titoconcerto		100 %	NSH AS
Nordic Sugar AB (Malmö, Sweden)	NS AB		100 %	Titoconcerto
AB Nordic Sugar Kėdainiai (Kėdainiai, Lithuania)	NS Kėdainiai		70.6 %	NS AS
UAB Nordzucker Business Service Center (Kaunas, Lithuania)	NBC		100 %	
Nordic Sugar Oy (Kantvik, Finland)	NS Oy		100 %	NS AS
Sucros Oy (Säkylä, Finland)	Sucros Oy		80 %	NS Oy
Suomen Sokeri Oy (Kantvik, Finland)	Suomen Oy		80 %	Sucros Oy
Nordzucker Ireland Limited (Dublin, Ireland)	NZ Ireland	100 %		
Mackay Sugar Limited Ltd. (Mackay, Australia)	MSL	70 %		
Queensland Commodity Service Pty Ltd. (Mackay, Australia)	QCS		100 %	MSL
Mackay Commodity Trading Pty Ltd. (Mackay, Australia)	MCS		100 %	MSL
Joint ventures accounted for using the equity method				
MEF Melasse-Extraktion Frellstedt GmbH (Frellstedt, Germany)	MEF		50 %	NZ KG
Norddeutsche Zucker-Raffinerie Gesellschaft mit beschränkter Haftung (Frellstedt, Germany)	NZR		50 %	NZ KG
Sugar Australia Pty Ltd. (Yarraville, Australia)	SAPL		25 %	MSL
Sugar Australia JV (Yarraville, Australia)	SAJV		25 %	MSL
Associated companies accounted for using the equity method				
August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG (Hamburg, Germany)	ATZU	25 %		
New Zealand Sugar Company Pty Ltd. (Auckland, New Zealand)	NZSC		25 %	MSL
Oriana Shipping Co Pte Ltd. (Singapore)	Oriana		25 %	MSL

		Shareholding		
		direct	indirect	
	Shortened form	%	%	via companies
Non-consolidated subsidiaries				
Norddeutsche Flüssigzucker Verwaltungs-GmbH (Braunschweig, Germany)	NFZ GmbH	70%		
Nordzucker Verwaltungs-GmbH (Braunschweig, Germany)	NZ GmbH		100%	NZ KG
SWEETGREDIENTS GmbH & Co. KG (Nordstemmen, Germany)	SG KG		100%	NZ SPEZIAL
SWEETGREDIENTS Verwaltungs GmbH (Nordstemmen, Germany)	SG GmbH		100%	SG KG
NZ Erste Vermögensverwaltungsgesellschaft mbH (Braunschweig, Germany)	NZ 1. VVG	100%		
NZ Zweite Vermögensverwaltungsgesellschaft mbH (Braunschweig, Germany)	NZ 2. VVG	100%		
NZ Dritte Vermögensverwaltungsgesellschaft mbH (Braunschweig, Germany)	NZ 3. VVG	100%		
Nordzucker Services Verwaltungs-GmbH (Braunschweig, Germany)	NZ Services GmbH	100%		
Nordic Sugar SIA (Riga, Latvia)	NS SIA		100%	NS AS
Associated companies not accounted for using the equity method				
August Töpfer Verwaltungs GmbH (Hamburg, Germany)	ATV	25%		
Other non-consolidated investments				
Tereos TTD, a.s. (Dobrovice, Czech Republic)	TTD	35.38%		
Tropical Cubes Co. Ltd. (Morcellement St André, Mauritius)	TC		12.5%	ATZU
C.I. Food Colombia S.A.S. (Yumbo, Colombia)	CIF		12.5%	ATZU
H.S.T. Hamburg Sugar Terminal GmbH & Co. KG (Hamburg, Germany)	HST		16.7%	ATZU
Verwaltungsgesellschaft H.S.T. Hamburg Sugar Terminal mbH (Hamburg, Germany)	VHST		16.7%	ATZU
Racecourse Projects Pty Ltd. (Balberra, Australia)	RPL		5.9%	MSL
Sugar Terminals Limited (Brisbane, Australia)	STL		9.1%	MSL

REPORT BY THE SUPERVISORY BOARD OF NORDZUCKER AG FOR THE 2019/2020 FINANCIAL YEAR

Jochen Johannes Juister
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

We can look back on a highly eventful 2019/2020 financial year for Nordzucker AG. Strongly fluctuating prices, the continuing transformation of the company due to the difficult market environment and our entry into the Australian market shaped the intense debates which unfolded in the past financial year.

The temporary price recovery at the end of the financial year was suddenly interrupted due to the COVID-19 pandemic and the related uncertainty on the world market: The "New York No. 11" sugar future traded on the stock exchange had reached a price of almost 15 cents per pound at the end of the financial year – but this price fell below 10 cents/pound at times in April 2020. Nordzucker is implementing a raft of measures to tackle this price volatility as well as the additional challenges and risks following the expiry of the sugar market regime in September 2017. The Executive Board is therefore implementing a comprehensive transformation process with the support of the Supervisory Board aimed at leading Nordzucker into the future as a stable and profitable sugar company. The implemented cost-cutting measures are already providing significant contributions to the company's success. The Supervisory Board is convinced that, by systematically implementing these steps, Nordzucker can set its sights firmly on the future and remain optimistic. The Supervisory Board is therefore supporting the Executive Board in its implementation of the company's strategy, with a clear focus on sugar production from beet and cane.

The successful acquisition of Australia's second-largest sugar producer, "Mackay Sugar Limited" (MSL), is an important and historic step in the history of Nordzucker AG. For the Nordzucker Group, this acquisition represents a key stage in its strategy to develop new markets, produce sugar from cane sugar for the first time and make a significant geographic expansion. It is also expected to deliver a sustainable contribution to the company's success. MSL is a good fit for our company from a structural point of view as well, since it also maintains a close relationship with local growers. A delegation of shareholder representatives drawn from the group of beet growers were able to see this for themselves in December 2018.

The work of the Supervisory Board: Supervisory Board meetings and resolutions

In the 2019/2020 financial year, the Supervisory Board of Nordzucker AG carried out the duties required of it by statutes, the company's Articles of Association and rules of procedure, advising and monitoring the Executive Board of Nordzucker AG and the Nordzucker Group on an ongoing basis. This monitoring and advising took place in particular in meetings of the Supervisory Board and its committees.

The Supervisory Board held four ordinary meetings in the 2019/2020 financial year. Furthermore, the Supervisory Board held a constitutive meeting following the Annual General Meeting in June 2019. The Executive Board of Nordzucker AG also attended each of the meetings.

At its first ordinary meeting on 14 March 2019, the Supervisory Board adopted the budget for the Nordzucker Group for the 2019/2020 financial year and discussed and debated the long-term financial planning in detail. In addition, the Supervisory Board examined in detail the implementation of Nordzucker's strategy. In view of the volatile market situation, the expected market trend and the business outlook, Nordzucker had initiated a comprehensive transformation process in 2018. The clear goal is to lead Nordzucker into the future as a stable and profitable sugar company. This transformation is based on a revised sales strategy, an adjustment of processes and structures as well as a systematic cost-cutting approach. In particular, material and personnel-related administrative expenses are to be reduced, and so too are production, logistics and sales costs.

Beet cultivation is the basis for the company's core business. Attractive contract offers with different price models and the goal of continuing to promote the competitiveness of beet by comparison with other crop plants, thanks to increased yields, are key areas of focus here. The Executive Board of Nordzucker AG also notified the Supervisory Board – at a subsequent joint meeting with the members of the supervisory board of the parent company, Nordzucker Holding AG – of the status of the company's planned acquisition of a majority shareholding in Australia's Mackay Sugar Ltd.

The annual and consolidated financial statements for the 2018/2019 financial year and the dependent company report were the main subject of the second ordinary Supervisory Board meeting held on 20 May 2019 (financial statements meeting). After hearing the auditors' report and conducting an in-depth discussion, and on the recommendation of its Audit and Finance Committee, the Supervisory Board endorsed the annual financial statements of Nordzucker AG and approved the consolidated financial statements. The Supervisory Board's proposals to the Annual General Meeting to be held on 27 June 2019 were also on the agenda.

A constitutive meeting of the Supervisory Board took place immediately after the Annual General Meeting on 27 June 2019. As well as a detailed report on the status of the acquisition of the shareholding in Australia's Mackay Sugar Ltd., this meeting also focused on personnel matters: the members of the Supervisory Board unanimously reappointed Jochen Johannes Juister as the Chairman. The shareholder representative Helmut Bleckwenn was confirmed as the Deputy Chairman. At the proposal of the employee representatives, Sigrun Krussmann was unanimously re-elected as a further Deputy Chairperson.

The following members were elected to the Steering Committee chaired by the Chairman of the Supervisory Board, Jochen Johannes Juister: Helmut Bleckwenn, Friedrich-Christoph Heins, Alexander Heidebroek and Dr Carin-Martina Tröltzsch as representatives of the shareholders, and Sigrun Krussmann and Steffen Blümel as employee representatives. Friedrich-Christoph Heins remains Chairman of the Audit and Finance Committee, while Jochen Johannes Juister, Helmut Bleckwenn, Alexander Heidebroek, Grit Worsch, Ulf Gabriel and Olaf Joern were confirmed as members of the Audit and Finance Committee.

Helmut Bleckwenn, Sigrun Krussmann, Matthias Kranz, Bernd Schliephacke and Grit Worsch were elected as members of the Human Resources Committee and Rainer Knackstedt, Bernd Schliephacke and Dr Karl-Heinz Engel were elected to the Nomination Committee. Jochen Johannes Juister chairs the Human Resources and Nomination Committees in his role as Chairman of the Supervisory Board.

At its third ordinary meeting held on 25 September 2019, the Supervisory Board, after careful consideration and on the recommendation of its Audit and Finance Committee, adopted the investment budget for the coming financial year as proposed by the Executive Board and was provided with detailed information on the long-term financial planning. In connection to this, the Supervisory Board discussed potential measures to achieve a CO_2 reduction in the sugar production process – this move away from fossil fuels will require enormous efforts within the Group over the next few years.

The fourth ordinary Supervisory Board meeting was held on 20 November 2019. Along with the supervisory board of Nordzucker Holding AG, the Supervisory Board visited Nordzucker's plant in Schladen, in particular in order to find out more about its experience of processing organic beet. This joint meeting also focused on the business development of Mackay Sugar Ltd., Australia's second-largest sugar producer.

At all its meetings in the reporting year the Supervisory Board also discussed the consequences and risks of the antitrust proceedings concerning Nordzucker, the company's financial status and the forecasts and budgets for Nordzucker AG and the Nordzucker Group. It discussed the Nordzucker Group's strategy, continued development and corporate planning with the Executive Board on a regular basis. Also discussed at Supervisory Board meetings were the course of business, risk exposure, risk management, the internal control system and conformity with compliance regulations as well as transactions of considerable importance.

The Executive Board fulfilled its obligations as defined by statute, the Articles of Association and the rules of procedure and regularly informed the Supervisory Board about events of importance for the company, promptly and comprehensively, both in the course of and outside Supervisory Board meetings. The Executive Board presented to the Supervisory Board all matters requiring its authorization. After thorough review and discussion, the Supervisory Board gave its approval to the Executive Board proposals.

The Chairman of the Supervisory Board was in regular contact with the Executive Board, also in-between Supervisory Board meetings. He was informed of the current state of business and major transactions and discussed with the Executive Board matters of strategy, planning, corporate development, risk exposure, risk management and compliance with company standards.

In the 2019/2020 financial year, the Supervisory Board was not informed of any conflict of interest by any of its members – in particular of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners. The members of the Supervisory Board regularly participated in the meetings of the Supervisory Board and its committees.

Supervisory board committees

For the efficient exercise of its duties, the Supervisory Board of Nordzucker AG has formed the four following committees: the Steering Committee, the Audit and Finance Committee, the Human Resources Committee and the Nomination Committee. The committee chairs reported on the main elements of the committee meetings at the Supervisory Board meetings. Minutes and documents of all committee meetings were provided to all the Supervisory Board members.

The Supervisory Board Steering Committee met four times in the 2019/2020 financial year (6 May 2019, 10 September 2019, 5 November 2019 and 25 February 2020). Two of these meetings included the members of the Audit and Finance Committee. The Supervisory Board Executive Committee discussed the latest key topics concerning the Nordzucker Group, important projects and the company's strategic direction. In addition, the Steering Committee prepared the Supervisory Board meetings (including the dates and agenda items) and the Annual General Meeting.

The Audit and Finance Committee met five times in the 2019/2020 financial year (6 May 2019, 10 September 2019, 5 November 2019, 9 December 2019 and 25 February 2020). It looked regularly at the financial situation and forecasts, company funding, investment planning, quarterly and half-year results for the Nordzucker Group and Nordzucker AG, risk management, the internal control system and the effectiveness, the resources and the findings of the Internal Audit department. In the presence of the auditors, the committee discussed the financial statements and management reports for the Nordzucker Group and Nordzucker AG for the 2018/2019 financial year. Its work also included appointing the auditors for the 2019/2020 financial year and verifying their independence. The examination and approval of the annual and consolidated financial statements and the dependent company report for the completed 2019/2020 financial year as well as the proposal for election of the auditors for the 2020/2021 financial year and the proposal to the Annual General Meeting for the appropriation of net profit were prepared at an additional meeting held outside the period under review on 11 May 2020. This meeting also discussed in detail the potential effects of the coronavirus pandemic on Nordzucker AG and considered possible scenarios. The Supervisory Board is maintaining a close dialogue with the Executive Board in this respect and will assist in case of any challenges that may arise.

The Human Resources Committee met four times in the reporting period: on 3 April 2019, 29 April 2019, 7 May 2019 and 17 September 2019. In particular, it prepared the Supervisory Board's decisions on the variable remuneration paid to the Executive Board. The Executive Board's variable remuneration for the 2019/2020 financial year was based on the successful implementation of earnings contributions resulting from sustainable savings in the Group through the transformation process. The Supervisory Board also acknowledged the successful acquisition of Australia's second-largest sugar producer, Mackay Sugar Limited, through the grant of special remuneration.

The Nomination Committee met once in the 2019/2020 financial year, on 23 April. It discussed the skills profile for membership of the Supervisory Board as a shareholder representative and also made proposals to the full Supervisory Board on candidates for the chair and deputies as well as the Supervisory Board committees. It also issued the Annual General Meeting with a recommendation to elect Henrik Madsen to the Supervisory Board.

Annual financial statements 2019/2020

The Executive Board presented the Supervisory Board in good time with the annual financial statements of Nordzucker AG and the Group, the management report and the Group management report, the proposal for the use of profits and the report on related party transactions. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, were selected as auditors at the Annual General Meeting on 27 June 2019 at the Supervisory Board's proposal. They audited the 2019/2020 annual financial statements for Nordzucker AG, its management report, the consolidated financial statements and the Group management report and issued each with an unqualified audit opinion. The auditors also audited the dependent company report, presented it to the Supervisory Board members in good time and gave the following opinion: "Following our professional audit and assessment we confirm that 1. the factual statements in the report are correct, and 2. that the consideration paid by the company in the transactions listed in the report was not inappropriately high."

The aforementioned documents were presented in good time, examined thoroughly by the Audit and Finance Committee and the Supervisory Board, and were discussed in detail in the presence of the auditors following their report on the main findings of the audit. The Supervisory Board concurs with the result of the audit and concluded from its own examination at the meeting held on 25 May 2020 that it has no objections to make. The Supervisory Board approved the annual and consolidated financial statements as prepared by the Executive Board; the annual financial statements are thereby adopted. The Supervisory Board also approved the Executive Board's proposal for the use of the net distributable profit, which means no dividend will be paid for the 2019/2020 financial year.

Personnel matters

According to the company's Articles of Association, the Supervisory Board has 15 members. Of the 15 members of the Supervisory Board, ten are shareholders' representatives and five are employees elected in accordance with the German act on one-third employee representation. At the Annual General Meeting on 27 June 2019 the shareholders of Nordzucker AG elected Henrik Madsen (Padborg, DK) as a new member of the Supervisory Board.

No changes occurred on the Executive Board.

Finally, the Supervisory Board would like to thank the Executive Board and all the employees of the Nordzucker Group for their work in the 2019/2020 financial year.

Braunschweig, 25 May 2020

Jochen Juister

Jochen Johannes Juister
Chairman of the Supervisory Board

INDEPENDENT AUDITOR'S REPORTS

To Nordzucker AG

OPINIONS

We have audited the consolidated financial statements of Nordzucker AG, Braunschweig, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 29 February 2020, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from 1 March 2019 to 29 February 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Nordzucker AG for the fiscal year from 1 March 2019 to 29 February 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 29 February 2020 and of its financial performance for the fiscal year from 1 March 2019 to 29 February 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

Hanover, 30 April 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Janze	Bienen
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR / DATES POSTPONED

The Shareholder meeting of Union-Zucker Südhannover Gesellschaft mit beschränkter Haftung is postponed to September 2020. A concrete date has not yet been set.

7 October 2020	Annual General Meeting Nordzucker Holding AG, Stadthalle Braunschweig
8 October 2020	Annual General Meeting Nordzucker AG, Stadthalle Braunschweig

Nordzucker AG
Küchenstraße 9
38100 Braunschweig, Germany
Telephone: +49 (0) 531 2411-0
Fax: +49 (0) 531 2411-100
info@nordzucker.de
www.nordzucker.com

Communications & Public Affairs
Christian Kionka
Telephone: +49 (0) 531 2411-173
Sven Weber
Telephone: +49 (0) 531 2411-492
press@nordzucker.com
Bianca Deppe-Leickel
Telephone: +49 (0) 531 2411-335
ir@nordzucker.com

Shares register
Nicole Riedel-Elias
Telephone: +49 (0) 531 2411-163
aktien@nordzucker.com

This Annual Report for the Nordzucker Group is also available in German.
The report can be downloaded online as a PDF in German or English at
www.nordzucker.de from the Download Centre.