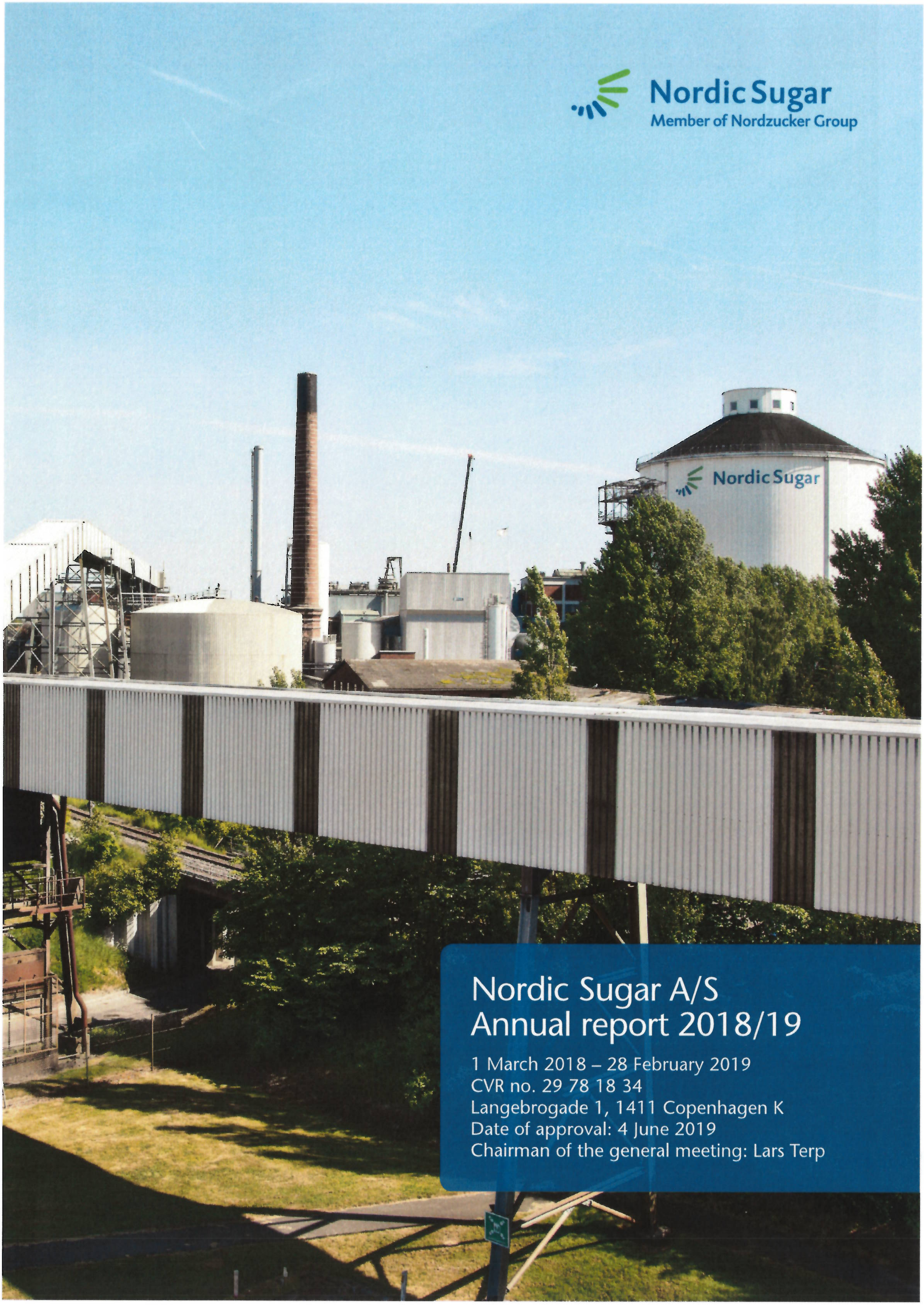
Nordic Sugar
Member of Nordzucker Group



Nordic Sugar A/S
Annual report 2018/19

1 March 2018 – 28 February 2019
CVR no. 29 78 18 34
Langebrogade 1, 1411 Copenhagen K
Date of approval: 4 June 2019
Chairman of the general meeting: Lars Terp

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Nordic Sugar A/S

Company information

Company

Nordic Sugar A/S
Langebrogade 1
DK-1411 Copenhagen K

CVR no.:	29 78 18 34
Founded:	31 August 2006
Registered office:	Copenhagen, Denmark
Financial year:	1 March – 28 February
Telephone:	+45 32 66 25 00
Internet:	www.nordicsugar.com
E-mail:	sugarinfo@nordicsugar.com

Board of Directors

Axel Aumüller, Chairman
Inga Dransfeld-Haase, Vice Chairman
Frank Knälmann
Maciej Wujec
Lars Kristian Andersen *)
Klaus Hansen *)
Lone Gønge *)
*) employee-elected

Executive Board

Jesper Thomassen, Managing Director

Auditor

Ernst & Young Godkendt Revisionspartnerselskab

Approved by the company's annual general meeting on 4 June 2019

Chairman of the general meeting

Lars Terp

Management's statement

The Board of Directors and the Executive Board have today approved the annual report of Nordic Sugar A/S for 2018/19. The annual report has been prepared in accordance with the Danish Financial Statements Act.

We believe that the annual report gives a true and fair view of the company's assets, liabilities and equity, financial position as per 28 February 2019 and the results for the financial year 1 March 2018 – 28 February 2019.

We also believe that the management's review gives a fair presentation of the development in the company's activities and financial performance, results for the year and of the company's financial position.

We present the annual report for approval at the annual general meeting.

Copenhagen, 4 June 2019

Executive Board:

Jesper Thomassen
Managing Director

Board of Directors:

Axel Aumüller Chairman	Inga Dransfeld-Haase Vice Chairman	Frank Knälmann	Maciej Wujec
Lars Kristian Andersen	Klaus Hansen	Lone Gønge	

Independent auditor's report

To the shareholder of Nordic Sugar Holding A/S

Opinion

We have audited the financial statements of Nordic Sugar A/S for the financial year 1 March 2018 – 28 February 2019, which comprise an income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 28 February 2019 and of the results of the Company's operations for the financial year 1 March 2018 – 28 February 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 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 the company's internal control.

Independent auditor's report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 4 June 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR. No. 30 70 02 28

Jan C. Olsen
State Authorised
Public Accountant
mne33717

Management's review

Key figures and financial ratios (DKKm)

Income statement:	2018/19	2017/18	2016/17	2015/16	2014/15
Revenue	2,082	2,647	3,142	2,546	3,188
EBIT	29	245	245	-5	251
Income from investments in subsidiaries	-40	55	-3	49	30
Financial income and expenses, net	22	28	8	20	2
Profit for the year	0	269	195	62	222
Balance sheet:					
Assets	2,754	2,893	2,993	3,292	3,543
Equity	1,806	2,327	2,262	2,088	2,277
Investment in property, plant and equipment	65	84	110	79	34
Financial ratios (%):					
EBITDA margin	5.0	12.9	11.1	4.0	11.6
EBIT margin	1.4	9.3	7.8	-0.2	7.9
ROIC	1.9	15.1	13.2	-0.2	11.7

The above KPI's are calculated in accordance with the recommendations of the Danish Finance Society. See definitions of financial ratios on page 19.

Core activity

Nordic Sugar A/S consists of Nordic Sugar's sugar activities in Denmark as well as ownership of a number of foreign subsidiaries.

Nordic Sugar A/S develops, produces and sells a wide range of sugar products and animal feed based on sugar beet as the main raw material. The majority of the sugar is sold within the food industry and retail market in Northern Europe and to related companies in the Nordzucker Group. Nordic Sugar A/S owns subsidiaries in Finland and Lithuania with similar sugar activities.

Development in activities and financial position

Nordic Sugar A/S realised revenues of DKK 2,082 million which is DKK 565 million lower than last year (2017/18: DKK 2,647 million). The lower revenues are mainly driven by a combination of a significant decrease in sales prices of sugar and lower sales volumes of sugar to related companies. Gross profit of DKK 313 million is significantly below last year (2017/18: DKK 554 million) which is mainly driven by the significant decrease in sales prices and impairment on onerous sales contracts as per 28 February 2019 being partly compensated by a decrease in production costs, including beet costs, and lower cost of purchased sugar from related parties.

EBIT of DKK 29 million is DKK 216 million below last year (2017/18: DKK 245 million). Other income and expenses between gross profit and EBIT are DKK 25 million lower than last year (2017/18: DKK 309 million). Sales and distribution expenses are slightly above last year due to increased freight costs on sales. Administrative costs are DKK 4 million lower than last year due to cost reductions. Other operating income is DKK 10 million above last year which is due to the recognition of production levies for the production years 1999/2000 and 2000/2001 following the ruling from EU Court of Justice on 9 February 2017 ("Raffenerie Tirlemontoise case") according to a new Council Regulation adopted on 19 February 2018. This is partly offset by lower reinvoicing of services to related parties following cost reductions. Other operating expenses are DKK 13 million lower than last year which is due to a combination of cost reductions for services provided to related parties and last year being impacted by a repair of a warehouse in Nakskov resulting from a fire.

EBIT is below the outlook provided in the annual report for 2017/18 of DKK 50-90 million. This is driven by worse than expected market conditions after the end of the sugar market regime – including impairment of sales contracts as per 28

February 2019 - and the drought in course of the growing season resulting in lower production volumes. The sales price on sugar is at a historical low in the EU and the world market price is also at a low level. Considering the overall surplus of sugar on the world market as well as inside the EU, it has not been possible to increase sales prices despite the lower production volumes realised as a result of the drought.

Profit for the year is realized at DKK 0 million which is DKK 269 million below last year. The decrease is mainly due to the lower EBIT, but also due to the impairment of investments in subsidiaries cf. the below section on foreign investments.

Assets are DKK 139 million (2017/18: DKK 2,893 million) lower than last year which is due to impairment of investments in subsidiaries and lower receivables from related parties. Liabilities are DKK 382 million (2017/18: DKK 566 million) higher than last year which is due to the dividend payment of DKK 520 million during the financial year 2018/19 partly offset by positive cash flow from operating activities and dividend received during the financial year 2018/19.

Outlook for 2019/20

The company expects a negative EBIT for the financial year 2019/20 which is in the range of DKK 25-50 million. The expected decrease in EBIT is driven by already contracted sales volumes at low prices and low world market prices. The indicated EBIT level is especially connected with uncertainties in relation to the coming harvest plus the sales price level for uncontracted sales volumes.

Foreign investments

Nordic Sugar A/S' investments in subsidiaries, which mainly consist of sugar activities in Finland and Lithuania, showed a negative development during the financial year 2018/19 similar to Nordic Sugar A/S' own operations. This has resulted in an impairment of investments in subsidiaries at an amount of DKK 107 million. The impairment is partly a result of dividend received during the financial year 2018/19.

Research and development activities

Nordic Sugar A/S has its main research and development activities in the areas of production processes and product development. The function, Technology and Innovation, is – besides support to ongoing production/business - responsible for the research and development activities within production technology and processes as well as new business opportunities related to the raw material sugar beet, production side streams (e.g. beet pulp and molasses), and the main product (sugar). Current examples are: The development of a fully automated sugar factory including activities on "Industry 4.0", big data, and new sensor types plus development of a transition plan for Nordzucker in the light of "Nordzucker Go Green". Nordzucker will be 100% climate neutral latest by 2050 including beet farming. Reducing energy consumption, making use of renewable energy sources, and reuse/sale of surplus energy from the sugar production (e.g. biogas production) are examples. Although all parts of a sugar beet end up in commercial products today - sugar, molasses, beet pulp etc. - R&D activities on adding value to raw material and products and finding new business opportunities are performed - often in collaboration with external knowledge centres and/or other partners.

Nordic Sugar A/S' product oriented R&D has in 2018/19 focused on further development of our organic sugar product portfolio and on application support to the food and beverage industry. With regards to organic sugar, focus has this year been on getting beet based organic sugar and feed products to the market and especially on creating an organic soft brown sugar for the food industry and for consumers. The new product will be launched during 2019. The application support to the food and beverage industry has, like in recent years, to a large extent been focused on customer driven reformulation projects towards lower sugar content in food and beverage products. Part of the solution for this is making use of combinations of sugar and stevia, providing lower calorie sweetening.

Specific risks

Commercial risks

Following the end of the EU sugar market regime on 30 September 2017, after which date the production quota system and the WTO limit on export to countries outside of the EU fell away, production volumes of sugar inside the EU have increased significantly. The production volume increased from 16.8 million tons of sugar in the production year 2016/17 to 21.3 million tons in the production year 2017/18 and to provisionally 17.9 million tons in the production year 2018/19 where the latter production volume is negatively impacted by the drought in course of the growing season. On the other hand, the EU consumption of sugar is approx. 18.4 million in 2018 with a slight decrease expected for the years to come. This has led to an oversupply on the EU market with a similar situation on the world market; the latter mainly driven by a rapid increase in production in India as a result of subsidies. The demand for sugar on the world market is expected to increase in the long term - especially in Asia and Africa.

The increase in production has resulted in increased competition inside the EU and the development in sales prices and earnings is expected to be more closely linked to the development in the world market prices as the EU is expected to remain a net exporter of sugar. Increased volatility of sales prices and lower average margins are expected in the long term. In order to guarantee profitability over the long term, the Nordzucker Group has decided to restructure and reduce costs. Consequently, the Nordzucker Group expects to increase profitability via cost savings and other measures by EUR 70 million annually until the end of the financial 2023/24 with most measures expected to be realised until the end of the financial year 2021/22. The measures are focused on overhead costs to be reduced by EUR 40 million on annual basis while the production and sales areas are expected to deliver the remaining part. Nordic Sugar A/S will naturally contribute significantly to the before-mentioned measures which are expected to facilitate a satisfying earnings level in Nordic Sugar A/S in the medium and long term.

The Nordzucker Group is a strong supplier of sugar and considers the current commercial challenges as an opportunity for market consolidation and further expansion.

Credit risks

The main credit risks include trade debtors, other outstanding amounts, including gains on derivative financial instruments (forward exchange contracts) and bank deposits. Trade debtors are spread in such a manner that the company's credit risks are not considered exceptional. Furthermore, trade debtors are in all material respects covered by credit insurance. Agreements concerning financial instruments are only entered into with recognised credit institutions.

Financial risks

The company's funding is handled through Nordzucker. On an ongoing basis, the company's management considers whether the capital structure is in accordance with the interests of the company and the shareholder. The overall objective is to have a capital structure which supports long-term growth and at the same time maximises the return for the company's stakeholders through an optimisation of the balance between equity and debt. The company's strategy is unchanged from last year.

Exchange rate risks

Exchange rate risks occur as a consequence of the company's business operations. Nordic Sugar A/S pursues a policy of limiting the impact of exchange rate movements on the company's results and financial position through active currency management hedging significant transactions in foreign currencies.

Statement on corporate social responsibility

Sustainability is an integral part of Nordzucker's business model. We see ourselves as a responsible industrial company and as a responsible employer and partner in the value chain.

Nordzucker Corporate Policy describes the guiding principles within our company and the policy has a profound focus on sustainability. Link: http://www.nordicsugar.com/fileadmin/Nordic_Sugar/Brochures_factsheet_policies_news/Download_center/Policies_and_certificates/Sustainability_policy/NZ-1.2-P-01_Corporate_Policy-signed.pdf.

By this part of the financial report we comply with the CSR reporting requirements EU Directive 2014/95/EU and local national requirements.

Our strong commitment to sustainability will continue to play a key role in shaping our future business decisions. Our social commitment is demonstrated through our role as an employer and through our assumption of responsibility in the communities where our plants are located. As a leading sugar producer, we play an active role in the debate on sugar and nutrition. We do this responsibly in relation to our employees, business partners and consumers, as well as towards society as a whole.

In 2017 we conducted a materiality assessment, which will direct Nordzucker's 2030 sustainability strategy. A self-assessment resulted in an initial overview of Nordzuckers's sustainability priority areas which were later on in the process ranked by external stakeholders. The external stakeholders were represented by three customers, a supplier, a beet grower, two NGOs, a university and one member of the Nordzucker supervisory board. Based on that input, we have decided to focus on the following areas:

Energy and Climate, Water management, Sustainable agriculture, People – values and safety culture. Risk and opportunities are in this way analyzed, improvement targets and plans are set. We are preparing to launch the 2030 strategy in 2019.

Nordzucker voluntarily committed to the European Sustainability Code (Deutscher Nachhaltigkeitskodex DNK) in 2017. The Council for Sustainable Development in Germany has established the DNK in dialogue with the industry. Our company provided information according to the 20 criteria which are published in an internet database and are therefore easy to access and compare with other companies. Further information is available here: https://www.deutscher-nachhaltigkeitskodex.de/.

Specific UN Sustainability Development Goals (SDGs) are part of our work in practice. We have identified the following goals to be relevant for our business: Goal no 2: zero hunger, no 7 affordable and clean energy, no 8 decent work and economic growth, no 12 responsible consumption and production, no 13 climate action and no 17 partnership for the goals. These goals influence our work within beet growing, sugar and feed production and our cooperation with customers and end consumers.

Environment and climate

Nordzucker is committed through our Energy and Environmental policy to minimizing the climate and environmental impacts of our activities. That includes working closely with our farmers to ensure sustainable cultivation of our sugar beets, as well as collaborating with our customers, suppliers and other service providers to improve our environmental performance. Our Energy and Environmental policy can be read here: http://www.nordicsugar.com/fileadmin/Nordic_Sugar/Brochures_factsheet_policies_news/Download_center/Policies_and_certificates/Energy_and_environmental_policy/Nordzucker_Energy___Environment_Policy.pdf.

Sugar production is an energy-intensive process. Apart from the expenses which sugar beet entails, energy consumption is a major cost factor and thus also of economic significance. Nordzucker's goal is to reduce the amount of energy required to produce one ton of sugar as well as CO_2 emissions in sugar production by 1% per year until 2020 with 2014 as baseline.

To address our future climate impact, we have set up a cross-functional team to look at ambitious Co_2 emission targets for 2030 as well as becoming fossil-free by 2050 at the latest. We report on our climate impact to the Carbon Disclosure Project, which benchmarks more than 7,000 companies on how they are managing their climate change impacts. In 2018 we scored a B-, which is well above average for our sector and region. By using new boiler technologies, we are also reducing our emissions of air pollutants such as Nitrogen dioxide. Re-using water from beet plant allows us to meet almost all our water requirements and keeps consumption to a minimum.

Our manufacturing process turns almost the entire sugar beet as well as the products arising from the processing operation into valuable products. Examples are beet pulp used as animal feed, lime used as soil conditioner (fertilizer), molasses used for fermentation and other products. The result is that we hardly produce any waste. Transport of sugar beets and final products is optimized to lower the cost and the climate impact from transportation. We clean the beets in the fields to avoid transporting soil and stones to the factory and a substantial part of the final products are transported by train to also lower the impact on the environment. Through the Nordic Beet Research organization we research in ways to increase our farmer's yields and lower their inputs, any improvement in those areas will lower the Co_2 emissions related to our agricultural operations.

- In Denmark we have had an energy and Co_2 reduction target of 1 % per ton sugar since 2014. In 2018/19 our energy use was 4% lower compared to 2014, our CO_2 emissions are 8% lower compared to 2014, so we are currently on track to meet the target for 2020.
- The water consumption is always in our focus. The beet sugar factories in Nykøbing and Nakskov use water from the beets for almost all purposes and therefore the use of fresh water is low.
- We clean the beets in the field to lower the soil tare. In Denmark the cleanness for 2018/19 was 91.6%, compared to 88.6% the year before.

Human rights

We respect and protect human rights. We do not tolerate forced labour and are against child labour. Our Code of Conduct as well as our Supplier Code of Conduct describe our guidance in relation to human rights and other issues. These Code of Conducts are the cornerstone of our culture. Link: http://www.nordicsugar.com/fileadmin/Nordic_Sugar/Brochures_factsheet_policies_news/Download_center/Code_of_conduct/NORDZ_03425_Code_of_Conduct_EN_20150330.pdf and http://www.nordicsugar.com/media-centre/download-centre/supplier-code-of-conduct.

Human rights are also in our focus when we evaluate suppliers and contractors. Human rights as well as other CSR issues are important parts of the supplier and contractor audits that we perform. The supplier audits are planned on a yearly basis as a result of a performance and risk evaluation. The risk evaluation includes all issues in the Supplier Code of Conduct, and for countries outside EU and EFTA we perform a country risk assessment covering security situation, human rights violations, corruption, land conflict, working conditions, forced labour, child labour, lack of freedom of association, contamination of water, water use, negative impact on ecosystems, and greenhouse gas emissions. The country risk assessment is used to evaluate the actual supplier risk and as a basis for the decision on whether an audit is necessary or not. In 2018 we carried out 7 supplier audits of which 3 were outside the EU and EFTA.

Human rights are also part of the Sustainable Agriculture Initiative (SAI) assessment which was implemented in Denmark in 2016. We use the aligned SAI principles when we audit agriculture suppliers outside our company and thereby we promote sustainable farming.

- The target for the external verified self-assessments is to get at least silver grade in all countries. The result has been met in Denmark since 2016. In 2018 89% of the assessed farmers received a gold rating, while 11% received a silver rating.

<u>Anti-corruption</u>

Anticorruption is a natural part of the way we do business. We refuse to offer, give or receive bribes or other improper payments as described in our Code of Conduct. The Code of Conduct was implemented in our company in 2013, followed by training for all employees in 2014 and 2015. Key risk groups in relation to anti-corruption are Sales and Procurement and in 2016 a Gifts and Hospitalities guideline was implemented for the whole group and special training for Sales and Procurement was carried out. Furthermore we have introduced various risk tools to evaluate partners and agents and we have mandatory training for management and key employees in relation to competition laws. We are planning to finalize and implement our Anti-corruption guideline and also carry out refresher training for the Code of Conduct.

In 2016 we implemented a whistleblower system called "Speak Up" in the Nordzucker group. All of our employees, customers, suppliers and other stakeholder groups can help to expose misconduct and illegal business practices and all breaches of the Nordzucker Code of Conduct. Speak Up is a protected system that is made available and managed by an external service provider. It can be used to make a report in written form in the respective national language and, if desired, submitted in fully anonymized form. The Speak Up system complements the existing communication channels. There has been no reported cases in Denmark in 2018. To avoid corruption a four eyes-principle is part of our purchase handling in the Nordzucker group. The "Four-Eye-Principle" requires that a business transaction is approved by at least two individuals. The principle is fully implemented.

- The target is to finalize and implement an Anti-corruption guideline and to start training during 2019.
- Furthermore the Code of Conduct refresher training will be carried out during 2019.

<u>Social responsibility</u>

Safety first is our motto and safety is in focus in everything we do. In 2018 we initiated the Safety Culture project. The project is set up to improve our Health & Safety culture in the company and reduce accidents. We do this by affecting the behavior of our colleagues, rather than making more policies. The project has an emphasis on local ownership of the issues and culture, with the factories having their own trained employees to take initiative and facilitate the changes on site. We have a Health and Safety strategy and goals are set in all our plants. Link: http://www.nordicsugar.com/fileadmin/Nordic_Sugar/Brochures_factsheet_policies_news/Download_center/Policies_and_certificates/Health_policy/Health_Policy_UK.pdf

As the employees are the backbone of our company we need to retain a skilled, knowledgeable and motivated workforce. This is obtained by a yearly dialogue (regularly feedback between the manager and employee). The dialogues are implemented for all employees. Dialogue consists of four elements: review the past. This includes the performance appraisal and feedback on targets achieved. Feedback is also provided on the working relationship. The focus also goes to the future. The aim of the dialogue is to define key future responsibilities and to talk about developing competences. Other social responsibilities as diversity, fair treatment, human rights, privacy, harassment and discrimination are all included in our Code of conduct.

Nordzucker's factories are large workplaces and are important for many people's daily lives. We make an effort to have a good relationship with our neighbours. We open the factories for visits from neighbours, schools, students and other interested parties, we support local sport clubs, have internships and we have a good dialogue with the authorities. The following targets have been set within social responsibility.

- Target is to reduce our absence index. In Denmark we had 4.2 % absence in 2018/19 compared to 3.8 % in 2017/18, so unfortunately it rose slightly in the past year.
- Our target is 100% performed Dialogue for all employees. In Denmark we reached 89% performed Dialogues during 2018. Focus for the future is that all dialogues with employees must be kept.
- There were 2 serious accidents (more than 3 days absence) in the Danish operations, in 2017/18 we had 6 serious accidents.
- We have a target to improve the ratio of women in leadership positions in order to ensure diversity and to support the business strategy. The target is to improve the ratio every year, and for 2019 the target is > 18%. The figure was 20% in Denmark in 2018.

Nordzucker is a reliable supplier for our customers. We hold a long list of certifications: ISO 9001, 14001, 22000 and in Denmark ISO 50001 and OHSAS 18001. In addition we have SMETA, Kosher and Halal audits, Fair trade products, organic and KRAV-labelled products which all have their own specific requirements that we comply with.

Our board is heavily involved in the development and execution of our sustainability strategy which is supplied with our certificates, commitments and action plans that cover all parts of our organization. The newly updated Materiality assessment leads us to focus on the material issues and we communicate results continuously on our website http://sustainability.nordzucker.com/ to give our stakeholders a clear updated picture of the material issues and our progress within these areas.

HR policy

With respect to the female representatives of the board, previously being the underrepresented gender, the board decided on 25 June 2015 that the target for 2019 should be 40% female members of the board. This target was achieved in the financial year 2017/18 where two out of five board members were female. One female board member resigned from the board at the end of February 2019 and the number of general assembly elected board members was subsequently reduced to four. Currently, one out of four board members elected at the general assembly is a female representative. Thus, the target for 2019 is no longer fulfilled. The current board members, including the newly elected, are found to be the most suitable representatives based on experience and competencies. The company is working on achieving equal gender representation in the board again and the board decided on a new target in the board meeting on 4 June 2019. The board decided that the target for 2023 should be 50% – 50% gender representation in the board.

It was also decided in 2013 to implement a policy to increase the number of female managers at other management levels. Main focus areas in the policy are:

- to ensure that Nordic Sugar A/S' staff policy at all times and in all respects promotes equal career opportunities for men and women, including in connection with employment procedures and recruitment, maternity and paternity leave and return from leave;
- to create a framework for women's career development through networking;
- to ensure that talent programs contribute to rendering female management talents;
- to aim at having both female and male candidates presented during recruitment; and
- an aim of having at least 1 female candidate on the shortlist when recruiting at management level.

Initiatives for the financial year 2018/19 to achieve the targets of the policy have been listed below. The initiatives have created a broader base for the female candidates in management positions and include among others:

- When recruiting, a special focus is continuously set at choosing a diverse segment aiming for female representation in both screening process and final rounds. This also applies when recruiting at managerial level.
- Recruiting 14 new white collar employees in financial year 2018/19, 4 of those were female.
- In the financial year 2018/19, 1 new female manager was appointed, coming from a non-managerial job within the company.

Income statement

1 March 2018 - 28 February 2019

(DKKm)	Note	2018/19	2017/18
Revenue	3	**2,082**	**2,647**
Production costs	4	-1,769	-2,093
Gross profit		**313**	**554**
Distribution and sales expenses	4	-228	-226
Administrative expenses	4	-74	-78
Other operating income		102	92
Other operating expenses		-84	-97
EBIT	5	**29**	**245**
Income from investments in subsidiaries	6	-40	55
Financial income	7	34	38
Financial expenses	7	-12	-10
Profit before tax		**11**	328
Income tax	8	-11	-59
Profit for the year		**0**	269

Balance sheet

ASSETS

(DKKm)	Note	28 February 2019	28 February 2018
NON-CURRENT ASSETS			
Intangible assets	9		
Other intangible assets		31	10
Total		**31**	**10**
Property, plant and equipment	10		
Land and buildings		226	227
Plant and machinery		578	589
Fixtures, fittings, tools and equipment		13	12
Prepayments and assets under construction		8	6
Total		**825**	**834**
Financial assets	11		
Investments in subsidiaries		772	879
Total		**772**	**879**
Total non-current assets		**1,628**	**1,723**
CURRENT ASSETS			
Inventories			
Raw materials and consumables		91	91
Finished goods and goods for resale		777	768
Total		**868**	**859**
Receivables	12		
Trade receivables		200	216
Receivables from related parties		8	48
Current income tax receivable from Nordic Sugar Holding A/S		11	7
Other receivables		21	33
Accruals		5	3
Total		**245**	**307**
Cash and cash equivalents		13	4
Total current assets		**1,126**	**1,170**
Total assets		**2,754**	**2,893**

Balance sheet

EQUITY AND LIABILITIES

(DKKm)	Note	28 February 2019	28 February 2018
EQUITY	13		
Share capital		1,000	1,000
Other reserves		804	804
Cash flow hedges		2	3
Proposed dividend		0	520
Total equity		**1,806**	**2,327**
PROVISIONS			
Provision for deferred tax liability	14	122	127
Other provisions	15	6	4
Total provisions		**128**	**131**
NON-CURRENT DEBT	16		
Other payables	18	2	3
Total		**2**	**3**
CURRENT DEBT	16		
Trade payables	17	283	308
Amounts owed to related parties		489	68
Other payables	18	46	56
Total current liabilities		**818**	**432**
Total liabilities		**948**	**566**
Total equity and liabilities		**2,754**	**2,893**

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Statement of changes in equity

(DKKm)	Note	Share capital	Other reserves	Cash flow hedging	Proposed dividend	Total
Equity at 1 March 2017		**1,000**	**1,055**	**12**	**195**	**2,262**
Dividend paid		-	-	-	-195	-195
Transferred, cf. distribution of profit	2	-	-251	-	520	269
Changes in cash flow hedging		-	-	-11	-	-11
Tax on changes in cash flow hedging		-	-	2	-	2
Equity at 1 March 2018		**1,000**	**804**	**3**	**520**	**2,327**
Dividend paid		-	-	-	-520	-520
Transferred, cf. distribution of profit	2	-	0	-	-	0
Changes in cash flow hedging		-	-	-1	-	-1
Tax on changes in cash flow hedging		-	-	0	-	0
Equity at 28 February 2019		**1,000**	**804**	**2**	**0**	**1,806**

Note 1 – Accounting policies

The annual report of Nordic Sugar A/S has been prepared in accordance with the Danish Financial Statements Act's rules for large enterprises in reporting class C.

The accounting policies are unchanged compared to previous year.

The Annual Report is presented in Danish kroner (DKK), which is the functional currency of the company.

With reference to section 112.1 of the Danish Financial Statements Act, no consolidated financial statements have been prepared for Nordic Sugar A/S, since the company and its subsidiaries are included in the consolidated financial statements of Nordzucker AG which are prepared in accordance with IFRS and are available at Nordzucker's homepage www.nordzucker.de.

Accounting estimates, assumptions and uncertainties

In determining the carrying amount of assets and liabilities at the balance sheet date, estimates are required of how future events will affect the valuation at the balance sheet date. Estimates, which are significant for the financial reporting, are mainly made in relation to measurement of inventories, depreciation and write down, including impairment of investments in subsidiaries, amortisation, provisions plus contingent assets and contingent liabilities. Estimates are based on assumptions which are reasonable, but which in the nature of the case are uncertain. The assumptions may be incomplete or inaccurate and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may imply that the actual results may differ from these estimates.

Risk perception and risk management are mentioned in Management's review.

Currency translation

Transactions in foreign currency are recognised using the exchange rate prevailing at the day of the transaction. Non-monetary assets acquired in foreign currency are not subsequently adjusted. Receivables, liabilities and other monetary items in foreign currency are translated using the exchange rate prevailing at the balance sheet date. Currency adjustments arising from the difference between the exchange rate at the transaction date and the balance sheet date are recognised in the income statement under financial items. Currency adjustments of debt in foreign currency are recognised in the income statement.

Derivatives

The company uses forward exchange contracts to reduce exchange rate risks. Sugar futures as well as oil swaps are used to reduce the risk of sugar sales based on world market prices respectively production costs, including forward currency contracts to hedge mainly transactions in USD and NOK. The company does not use derivatives for speculative purposes. Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to the fair value at each balance sheet date.

Fair value of derivatives is included in Other receivables (positive fair value) or Other payables (negative fair value) as the case may be. Hedge accounting is applied for hedging of oil (cash flow hedging) where realised as well as unrealised gains and losses on derivatives are deferred in equity until the hedged item is recognised in the income statement under the same item as the hedged risk (production costs). Hedge accounting is not applied for hedging of revenues where realised as well as unrealised gains and losses on derivatives are recognised in the income statement as financial items.

Fair values of derivative financial instruments are calculated on the basis of current market data and recognised valuation methods (level 2: Value based on recognised valuation methods on the basis of observable market information).

Income statement

Revenue

Revenue comprises invoiced sales less returned goods, bonuses and discounts granted in connection with sales. Sale of goods is recognised when the goods have been delivered and ownership and risk have passed to the buyer.

Production costs

Production costs include raw materials, consumables, direct labour and indirect production costs such as maintenance and depreciation of production plant as well as administration and plant management. Production costs also include research and development costs. Research costs are recognised in the income statement in the year in which they are incurred. Clearly defined and identifiable development projects in which the technical degree of exploitation, adequate resources and potential future market or development possibility inside the company are recognisable, and where it is the intention to produce, market or use the project, are recognised as intangible assets where a correlation between the costs incurred and future earnings exists.

Distribution and sales expenses

Distribution and sales expenses comprise transportation costs, salary expenses for sales and logistics personnel, advertising and exhibition expenses, depreciation and other indirect expenses. Furthermore, it includes cost of warehouses and silos.

Administrative expenses

Administrative expenses comprise expenses of the administrative staff and management and other indirect expenses.

Audit fees are not disclosed with reference to section 96.3 of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements of Nordzucker AG.

Other operating income

Other operating income comprises income of a secondary nature in relation to the activities of the company, including gains on the sale of intangible assets, property, plant and equipment, rental income plus recharged intercompany services.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature in relation to the activities of the company, including losses on the sale of intangible assets and property, plant and equipment.

Government grants

Government grants include CO2 allowances and investments. CO2 allowances are recognised in the income statement on a systematic basis to match the related cost. Investment grants are set off against the cost of the subsidised assets. In case the investment grants exceed the carrying amount of the assets, the residual is recognised as other operating income.

Income from investments in subsidiaries

The item comprises profit from sale of investments in subsidiaries, any write downs plus dividends from investments in subsidiaries. Dividends are recognised when the right to receive dividends has been approved by the relevant company bodies. To the extent that distributed dividends exceed accumulated earnings after acquisition, only the part comprising accumulated earnings after acquisition is recognised in the income statement.

Financial income and expenses

All financial costs are recognised in the income statement. Financial income and expenses include interest income, interest expenses, commission for committed facilities, borrowing expenses, amortisation of financial assets and liabilities, gains and losses on derivatives where hedge accounting is not applied plus the interest part of finance leases.

Income tax

Income tax consists of current tax and changes in deferred tax. Income tax related to cash flow hedging is recognised in equity until the hedged item is recognised in the income statement or balance sheet.

Current tax

The tax currently payable is based on the taxable profit for the year using the applicable tax rates that have been enacted at the balance sheet date.

Deferred tax

Deferred tax is measured according to the balance sheet liability method in respect of all temporary differences between the tax base and the carrying amount of an asset or liability. Deferred tax on goodwill is not recognised unless the goodwill is tax deductible. Taxation arising on the sale of investments in subsidiaries is not recognised in the balance sheet unless the investments are expected to be sold within a short period. The tax base of tax losses carried forward and negative deferred tax are recognised as assets when it is likely that they will reduce future tax payments within a reasonable period of time. Deferred tax is measured on the basis of the regulatory tax rules and tax rates applicable at the balance sheet date when the deferred tax is expected to become current tax. Changes in deferred tax due to changes in tax rates are recognised in the income statement.

Nordic Sugar A/S is jointly taxed with its Danish parent company Nordic Sugar Holding A/S. Current Danish income tax is divided between the jointly taxed companies relative to their taxable income. Withholding taxes relating to dividends from subsidiaries outside Denmark are recognised in the year in which the dividend is declared.

Balance sheet

Other intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is made on a straight-line basis over the estimated useful lives of the assets.

Amortisation period:

Patents, licences and other intellectual property rights	up to 20 years
Software	up to 5 years
CO_2 certificates	when consumed

Useful life is determined on the basis of management's experience in the company's business areas and reflects in the opinion of management the best estimate of the economic useful lives of the assets.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and write downs. Cost includes costs of materials, components, sub-supplier services, direct labour and indirect production costs. Interest and other borrowing costs are not included in cost. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the assets. Depreciation is initiated when the assets are deemed to be ready for use. Land is not depreciated.

Depreciation period:

Buildings	20-60 years
Plant and machinery	10-25 years
Fixtures, fittings, tools and equipment	3-15 years

The basis of depreciation is determined subject to the residual value of the asset. The residual value is estimated to be 0 as it is the intention to keep all property, plant and equipment until the end of the physical useful life.

Expenditure relating to repair and maintenance of property, plant and equipment is recognised either as indirect production costs in the cost of inventories or directly in the income statement.

Finance leases are measured at the lower of the fair value of the leases and the present value of the future minimum lease payments at the time of leasing. Finance leases are subsequently depreciated on the same basis as other property, plant and equipment. Residual lease obligations are recognised in the balance sheet under other payables and interest charges on the lease are recognised as financial expenses in the income statement.

Lease payments under operating leases are accrued and recognised in the income statement as operating expenses over the lease term.

Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Note 1 – Accounting policies - continued

Financial assets

Investments in subsidiaries are measured at cost less write downs. To the extent that distributed dividends exceed accumulated earnings after acquisition, only the part comprising accumulated earnings after acquisition is recognised in the income statement. The remaining part reduces the value of investments in subsidiaries.

Impairment of non-current assets

At year-end, the carrying amount of tangible and intangible assets and investments in subsidiaries is reviewed to determine any indication of impairment.

In the case of such indication, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are deemed to be independent of other assets, an estimate is made of the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is determined at the higher of the fair value less selling cost and the value in use. In the determination of value in use, estimated future cash flows are discounted by a discount rate reflecting market assessments of the time value of money and special risks associated with the asset for which adjustments have not been made in the estimated future cash flows.

Where the recoverable amount of the asset or unit is estimated to be lower than the carrying amount, the carrying amount is written down to the recoverable amount.

Any impairment loss is recognised in the income statement. Where the impairment is subsequently reversed, the carrying amount of the asset is increased to the adjusted estimate of the recoverable amount, however not exceeding the carrying amount, which the asset would have had, had it not been written down. Reversal of impairment is recognised in the income statement.

Non-current financial assets that are not measured at fair value are assessed at the balance sheet date to determine if any objective indicators exist that an asset or group of assets has been impaired. In that case, the recoverable amount of the asset is determined and where lower than the carrying amount is written down to the recoverable amount.

Inventories

Finished goods and goods for resale are recognised on a first-in/first-out (FIFO) basis and measured at cost. Raw materials and consumables are measured based on periodical average prices. Where cost exceeds the realisable value, a write down to this lower value is performed. Cost includes raw materials, consumables, direct labour and indirect production costs such as maintenance and depreciation of production plant and operations as well as administration and plant management. Obsolete items, including slow-moving items, are written down to net realisable value.

Receivables

Receivables mainly include trade receivables and short-term loans to other subsidiaries of the Nordzucker Group.

Trade receivables are initially measured at cost and subsequently at amortised cost or a lower value subject to individual assessment of potential loss. Fixed-interest short-term loans to subsidiaries are held to maturity and measured at amortised cost.

Other receivables include fair value of derivatives plus receivables from VAT and other duties etc.

Equity

Dividends are recognised as a liability at the date of adoption at the annual general meeting. Proposed dividend payments for the financial year are disclosed as a separate line item in equity.

Pension liabilities

Contributions under defined contribution plans are recognised in the income statement in the period they are related to and any contributions payable are recognised in the balance sheet as other payables.

Note 1 – Accounting policies - continued

Other provisions

Other provisions primarily relate to obligations concerning restructuring and obligations towards employees. Provisions are recognised for legal and constructive obligations that have arisen as a result of past events in the financial year or prior years, and where it is likely that the company's financial resources will be required in settling such obligations. The provisions are measured according to management's assessment of the amount by which the obligation is expected to be settled.

Financial liabilities

Mortgage debt and debt to credit institutions are measured at the time of the loan at nominal value less capital loss and transaction expenses and subsequently at amortised cost. The difference between the loan proceeds and the nominal value is recognised as a financial item in the income statement over the term of the loan.

Other payables, which include trade payables, payables to subsidiaries as well as other debt, are measured at amortised cost.

Cash flow statement

With reference to section 86.4 of the Danish Financial Statements Act, no cash flow statement for Nordic Sugar A/S has been prepared. Cash flows for Nordic Sugar A/S are part of the consolidated financial statements of Nordzucker AG.

Segment information on revenue

Segment information is based on the company's accounting policies, risks and internal financial management.

Definition of key figures and financial ratios

EBITDA margin % =	Operating profit (EBIT) before depreciation and amortisation x 100
	Revenue
EBIT margin % =	Operating profit (EBIT) x 100
	Revenue
Return on invested capital =	Operating profit (EBIT) x 100
(ROIC) %	Average invested capital, including goodwill

Notes to the income statement

2 Distribution of profit

(DKKm)	2018/19	2017/18
Amount to be carried forward	-	-251
Proposed dividend	-	520
Total	-	**269**

3 Segment reporting

(DKKm)	2018/19	2017/18
Product segments		
Sugar	1,799	2,354
By-products	205	200
Other	78	93
Total	**2,082**	**2,647**

4 Employee expenses

(DKKm)	2018/19	2017/18
Employee expenses		
Wages and salaries	-237	-238
Defined contribution plans	-21	-21
Social security expenses etc	-5	-4
Total	-263	**-263**
Employee expenses are included in the costs below		
Production costs	-158	-162
Distribution and sales expenses	-41	-42
Administrative expenses	-55	-55
Other operating expenses	-7	-2
Total	-261	**-261**
Employee expenses, which are included in the balance sheet		
Projects	-2	-2
Total employee expenses	**-263**	**-263**
Average number of employees	490	493

The remuneration of management and board amounted to DKKt 2,623 respectively 75 during the financial year 2018/19. The remuneration of management and board amounted to DKKt 2,889 respectively 50 during the financial year 2017/18.

Management has a bonus agreement which is dependent on the financial performance of the Nordzucker Group.

Notes to the income statement

5 Special items

(DKKm)	2018/19	2017/18
Impairment of inventories related to sales contracts recognised as Production costs	-26	-
Production levy received for 1999/2000 and 2000/2001 recognised as Other operating income	15	-
Interest related to production levy received recognised as Financial income	23	-
Impairment of inv. in subsidiaries recognised as Income from investments in subsidiaries	-107	-
Total	**-95**	-

The above-mentioned special items are described in the Management's review.

6 Income from investments in subsidiaries

(DKKm)	2018/19	2017/18
Dividend from Nordic Sugar OY	39	8
Value adjustment of investment in Nordic Sugar OY	-77	-
Dividend from AB Nordic Sugar Kedainiai	28	47
Value adjustment of investment in AB Nordic Sugar Kedainiai	-30	-
Total	**-40**	**55**

7 Financial income and expenses

(DKKm)	2018/19	2017/18
Financial income		
Gains on derivatives	11	36
Other financial income	23	2
Total	**34**	**38**
Financial expenses		
Financial expenses to related parties	-1	-
Losses on derivatives	-11	-9
Other financial expenses	-	-1
Total	**-12**	**-10**
Financial income and expenses, net	**22**	**28**

8 Income tax

(DKKm)	2018/19	2017/18
Current tax on profit for the year recognised in the income statement	-16	-63
Change in deferred tax for the year recognised in the income statement	5	4
Change in deferred tax for previous years recognised in the income statement	-	-4
Adjustment of current tax for previous years	-	4
Total	**-11**	**-59**

Total current tax for the financial year 2018/19 amounts to DKKm 16 of which DKKm 0 have been recognised in equity.

Notes to the balance sheet

9 Intangible assets

(DKKm)	CO2 certificates	Rights	Total
Cost at 1 March 2018	12	5	17
Additions	24	-	24
Disposals	-5	-	-5
Cost at 28 February 2019	**31**	**5**	**36**
Amortisation at 1 March 2018	-5	-2	-7
Amortisation of disposals during the year	5	-	5
Amortisation for the year	-2	-1	-3
Amortisation at 28 February 2019	**-2**	**-3**	**-5**
Carrying amount at 28 February 2019	**29**	**2**	**31**

10 Property, plant and equipment

(DKKm)	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Prepayments and assets under construction	Total
Cost at 1 March 2018	783	2,401	66	6	3,256
Additions	15	38	4	8	65
Disposals	-7	-15	-6	-	-28
Reclassifications	0	6	-	-6	-
Cost at 28 February 2019	**791**	**2,430**	**64**	**8**	**3,293**
Depreciation and write-downs at 1 March 2018	-556	-1,812	-54	-	-2,422
Depreciation of disposals during the year	7	14	6	-	27
Depreciation for the year	-16	-54	-3	-	-73
Reclassifications	-	-	-	-	-
Depreciation/write-downs at 28 February 2019	**-565**	**-1,852**	**-51**	**0**	**-2,468**
Carrying amount at 28 February 2019	**226**	**578**	**13**	**8**	**825**
Carrying amount of leased assets	3	0	0	0	3

There are no pledges in property, plant and equipment.

Notes to the balance sheet

11 Financial assets

(DKKm)	Investments in subsidiaries
Cost at 1 March 2018	879
Additions	-
Disposal	-
Value adjustment	-107
Carrying amount at 28 February 2019	**772**

Subsidiaries	Country	Currency	Nominal capital *	Nordic Sugar's share in %
Nordic Sugar Oy	Finland	EUR	15,000	100
Sucros Oy	Finland	EUR	58,866	80
Suomen Sokeri Oy	Finland	EUR	38,683	80
Nordic Sugar SIA	Latvia	EUR	2	100
AB Nordic Sugar Kedainiai	Lithuania	EUR	25,931	71
Ingolf Wesenberg & Co. AS	Norway	NOK	100	50

* Nominal share capital in 1,000's.

Subsidiaries	Country	Currency	Result**	Equity**
Nordic Sugar Oy	Finland	EUR	8	60
Sucros Oy	Finland	EUR	-4	93
Suomen Sokeri Oy	Finland	EUR	0	44
Nordic Sugar SIA	Latvia	EUR	0	0
AB Nordic Sugar Kedainiai	Lithuania	EUR	-5	34
Ingolf Wesenberg & Co. AS	Norway	NOK	0	0

** Result and equity are stated in million local currency based on local GAAP in the respective countries and the latest available annual report.

Notes to the balance sheet

12 Receivables

(DKKm)	2018/19 28 February 2019	2017/18 28 February 2018
Other receivables		
VAT and other taxes	9	17
Derivative financial instruments	11	16
Other	1	-
Total	**21**	**33**

Accruals include accrued insurance premiums and prepaid rent etc.

Receivables payable more than 1 year after the balance sheet date	0	3

13 Equity

The share capital amounting to DKK 1 billion consists of 1,000,000 A shares with a nominal value of DKK 100 each and 9,000,000 B shares with a nominal value of DKK 100 each. The B shares have preference of up to 10% accumulated dividend.

14 Provision for deferred tax liability

(DKKm)	2018/19 28 February 2019	2017/18 28 February 2018
Deferred tax liability at 1 March	127	127
Change in deferred tax recognised in the income statement	-5	-
Change in deferred tax recognised in equity	-	-
Deferred tax liability at 28 February	**122**	**127**

15 Other provisions

(DKKm)	2018/19 28 February 2019	2017/18 28 February 2018
Other provisions at 1 March	4	6
Provisions during the year	6	4
Provisions utilised during the year	-4	-6
Other provisions at 28 February	**6**	**4**
Due date is expected to be:		
Within 1 year	6	4
Over 1 year	-	-
Total	**6**	**4**

Other provisions mainly include obligations towards employees.

Notes to the balance sheet

16 Maturity analysis of debt

(DKKm)	2018/19 28 February 2019	2017/18 28 February 2018
Remaining contractual maturities		
Within 1 year	818	432
Between 1 and 5 years	2	3
Over 5 years	-	-
Total	820	435

17 Trade payables

With reference to the current industrial professional agreement with beet growers supplying beets based on variable pricing model, the EBIT profit/loss sharing has been calculated according to IFRS based on an EBIT of 0 as the EBIT before profit/loss sharing with beet growers and production levies from the production years 1999/2000 and 2000/2001 not subject to EBIT sharing is negative.

18 Other payables

(DKKm)	2018/19 28 February 2019	2017/18 28 February 2018
Non-current other payables		
Derivative financial instruments	-	3
Finance lease debt	2	-
Total	2	3
Current other payables		
Wages, salaries, holiday pay, etc.	36	38
VAT and other taxes	1	3
Finance lease debt	1	1
Derivative financial instruments	8	11
Other items	-	3
Total	46	56

Supplementary notes

19 Financial instruments

(DKKm)

The company uses FX forward currency contracts to hedge currency exposure related to sales and purchases in other currencies than EUR unless the exposure in another currency is immaterial. The company uses sugar futures to hedge price exposure related to sales outside of the EU. The company also uses oil swaps to hedge the price of purchased oil. The company does not use derivatives for speculative purposes.

Hedge accounting is applied for hedging of oil, including related FX exposure in USD (cash flow hedging) while other exposures are considered as economic hedges where gains and losses from derivatives are recognised immediately in the income statement as gains or losses.

Currency exposure as per 28 February 2019 (DKKm)

	Period	Recognised receivables	Recognised payables	Hedging	Net position
EUR	< 1 year	87	-8	0	79
NOK	< 1 year	32	-1	-31	0
USD	< 1 year	1	0	-1	0
Other currencies	< 1 year	0	0	0	0
Total		120	-9	-32	79

Price exposure related to sugar (DKKm)

The company has sold 2,900 tons of sugar via sugar futures as per 28 February 2019 for the period until September 2019. The fair value of the sugar futures is DKKm 0 on 28 February 2019.

The fair value of FX forward contracts except for cash flow hedges cf. below is DKKm 0 on 28 February 2019.

Cash flow hedging (DKKm)

The company has applied cash flow hedging for the following anticipated oil transactions as per 28 February 2019:

(DKKm)		Period	Contractual value	Gain recognised in equity
Oil swaps		0-12 months	77	3
FX forward contracts		0-12 months	Same as oil swap	0
Total	0	0	77	3

During the financial year 2018/19 gains of DKKm 27 have been offset against cost of goods manufactured of which DKKm 8 have been recognised in production costs as a result of sales transactions. Furthermore, gains from previous year of DKKm 10 have been recognised in production costs as a result of sales transactions. Consequently, the total effect of cash flow hedging in the income statement is a gain of DKKm 18.

Supplementary notes

20 Contingent assets and contingent liabilities

(DKKm)	2018/19 28 February 2018	2017/18 28 February 2017
Guarantees and other financial commitments	28	54
Total	**28**	**54**
Operating lease and rental obligations		
Maturity of operating lease and rental obligations:		
Within 1 year	11	14
Between 2 and 5 years	10	9
Total	**21**	**23**

Operating lease and rental obligations

The company has only entered into operating lease agreements in the normal line of business. The leasing agreements indude buildings and equipment.

Legal proceedings pending

There are no pending legal proceedings.

Joint and several liability

The parent company is jointly taxed with the Danish subsidiary. As the administrative company, together with the subsidiary, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 28 February 2019, the net taxes payable to SKAT by the companies induded in the joint taxation amounted to DKKt 0. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc, may entail that the companies' liability will increase. The Group as a whole is not liable to others.

Supplementary notes

21 Transactions with related parties

Ownership

Nordic Sugar A/S is wholly owned by Nordic Sugar Holding A/S, Langebrogade 1, 1014 Copenhagen K.

Transactions with related parties:

Nordic Sugar A/S trades sugar and related feed products with related parties in the Nordzucker group as a normal part of the business. Furthermore, Nordic Sugar A/S provides services and receives services from the same entities.

The below transactions have taken place with comparison figures for previous year in brackets. Figures are in DKKm.

Sugar and by-products etc.:	Sale	Purchase
Sugar and by-products etc to subsidiaries	87 (161)	194 (307)
Sugar and by-products etc to other related parties	195 (452)	224 (336)

Services:	Sale	Purchase
Services provided to/received from subsidiaries	12 (15)	25 (20)
Services provided to/received from other related parties	70 (73)	40 (47)

Balance sheet transactions:	
Loan (-)/deposit (+) at other related parties (balance as per 28 February)	-460 (30)
Financial expenses to related parties	1 (0)

	Sale	Purchase
Investments in CO2 certificates to/from related parties	0 (0)	24 (0)
Investments in plant, property and equipment to/from other related parties	0 (1)	0 (0)

Outlays have not been considered in the above figures.

For information on remuneration of management and board please see note 4.

22 Post balance sheet events

There have been no subsequent events of significance to the annual report 2018/19 after the end of the financial year on 28 February 2019.