Nordic Sugar A/S
Annual report 2019/20

1 March 2019 – 29 February 2020
CVR no. 29 78 18 34
Edvard Thomsens Vej 10, 7, 2300 Copenhagen S
Date of approval: 3 June 2020
Chairman of the general meeting: Pascal Bothe

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Nordic Sugar A/S

Company information

Company

Nordic Sugar A/S
Edvard Thomsens Vej 10, 7th floor
DK-2300 Copenhagen S

CVR no.:	29 78 18 34
Founded:	31 August 2006
Registered office:	Copenhagen, Denmark
Financial year:	1 March – 29 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 Müller
Thomas Kjær*)
Klaus Hansen *)
Lone Gonge *)
*) employee-elected

Executive Board

Jesper Thomassen, Managing Director

Auditor

Ernst & Young Godkendt Revisionspartnerselskab

Approved by the company's annual general meeting on 3 June 2020

Chairman of the general meeting

Pascal Bothe

Management's statement

The Board of Directors and the Executive Board have today approved the annual report of Nordic Sugar A/S for 2019/20. 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 29 February 2020 and the results for the financial year 1 March 2019 – 29 February 2020.

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, 3 June 2020

Executive Board:

Jesper Thomassen
Managing Director

Board of Directors:

Axel Aumüller Chairman	Inga Dransfeld-Haase Vice Chairman	Frank Knälmann	Maciej Wo[illegible]
Lars Müller	Thomas Kjær	Klaus Hansen	Lone George

Independent auditor's report

To the shareholder of Nordic Sugar A/S

Opinion

We have audited the financial statements of Nordic Sugar A/S for the financial year 1 March 2019 – 29 February 2020, 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 29 February 2020 and of the results of the Company's operations for the financial year 1 March 2019 – 29 February 2020 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, 3 June 2020
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:	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue	2,024	2,082	2,647	3,142	2,546
EBIT	12	29	245	245	-5
Income from investments in subsidiaries	-37	-40	55	-3	49
Financial income and expenses, net	8	22	28	8	20
Profit for the year	-21	0	269	195	62
Balance sheet:					
Assets	2,710	2,754	2,893	2,993	3,292
Equity	1,776	1,806	2,327	2,262	2,088
Investment in property, plant and equipment	63	65	84	110	79
Financial ratios (%):					
EBITDA margin	4.9	5.0	12.9	11.1	4.0
EBIT margin	0.6	1.4	9.3	7.8	-0.2
ROIC	0.8	1.9	15.1	13.2	-0.2

The above KPI's are calculated in accordance with the recommendations of the Danish Finance Society. See definitions of financial ratios on page 19. The recognition principles of IFRS 16 have been implemented as from 1 March 2019 meaning that all lease contracts existing on 1 March 2019 and applicable for capitalisation have been capitalised prospectively as from 1 March 2019. Comparison figures have not been adjusted.

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 2,024 million which is DKK 58 million lower than last year (2018/19: DKK 2,082 million). The lower revenues are mainly driven by lower sales prices partly offset by higher sales volumes. Gross profit of DKK 279 million is DKK 34 million below last year (2018/19: DKK 313 million) which is mainly driven by the significant decrease in sales prices being partly compensated by higher sales volumes.

EBIT of DKK 12 million is DKK 17 million below last year (2018/19: DKK 29 million). Expense items between gross profit and EBIT (i.e. excl. other operating income) are DKK 47 million lower than last year. The significant cost reductions realised so far are mainly a result of the highly successful implementation of the savings program introduced at the end of the financial year 2018/19 which includes a target reduction of EUR 40 million within the Nordzucker group until the end of the financial year 2023/24. Other operating income is DKK 30 million lower than last year which is due to production levy related to the production years 1999/2000 and 2000/2001 received during the financial year 2018/19 plus lower income from related parties. The lower income from related parties is a result of the cost savings realised during the financial year 2019/20.

The EBIT of DKK 12 million is significantly better than the outlook provided in the annual report for 2018/19 of DKK -25 to -50 million. This is mainly driven by very significant reductions in overhead costs. Furthermore, higher sales volumes of sugar and higher margins on feed products have contributed to the positive development. Finally, the market situation for sugar has improved at the end of the financial year which has led to slightly higher average sales prices for the full financial year.

Profit for the year is realised at DKK -21 million which is DKK -21 million below last year. The decrease is mainly due to the lower EBIT and lower net financial income as last year was positively impacted by interest income related to repaid production levy for the production years 1999/2000 and 2000/2001.

Total assets are DKK 44 million (2018/19: DKK 2,754 million) lower than last year which is due to impairment of investments in subsidiaries, a lower reinvestment level in property, plant and equipment plus lower inventories due to higher sales. On the other hand, receivables from sales are higher than last year due to higher sales activities at the end of the financial year. Liabilities are materially in line with last year.

Outlook for 2020/21

The company expects positive earnings before tax (excl. any value adjustment of investment of subsidiaries) for the financial year 2020/21 which is in the range of DKK 75-125 million. The expected increase in EBT is driven by already contracted sales volumes at higher prices plus continued cost savings. The indicated EBT level is especially connected with uncertainties in relation to the coming harvest plus the sales price level for uncontracted sales volumes, including the potential impact from Covid-19 as described in note 22 on page 27.

Foreign investments

Nordic Sugar A/S' investments in subsidiaries, which mainly consist of sugar activities in Finland and Lithuania, showed a positive development during the financial year 2019/20 compared to the financial year 2018/19. However, realised earnings are overall at a low level and the earnings outlook for the Lithuanian subsidiary remains low. This has resulted in an impairment of investments in subsidiaries at an amount of DKK 37 million.

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, Quality, Innovation & Production Support, 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 and utilization of waste heat for district heating) 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 2019/20 been concentrated on reformulation of various sugar products aimed at the food industry as well as at the consumer market. The reformulation has primarily been driven by a supply security and cost optimisation based need to find alternative raw materials and ingredients for specialised products like syrups and jam sugars. Like in recent years, also application support to the food and beverage industry has been carried out. The support covers a wide spectrum of sugar technical and food production aspects related to sugar's functional properties in food and beverage products.

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 the EU became obsolete, production volumes of sugar inside the EU 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. Then it fell back to 17.6 million tons in the production year 2018/19 due to the drought seen over growing season and to a provisionally 17.3 million tons in production year 2019/20 when a reduction in beet area in combination with the rainy fall of 2019/20 affected the output. With the EU consumption of sugar of approx. 18 million and a slight decrease expected for the years to come, the quota abolishment led to a build-up of stocks in year 1 which has been slowly decreasing the past two years. Globally the market has also been oversupplied, mainly driven by a rapid increase in production in India as a result of subsidies. This affects global prices, which have been under pressure for some time now, but seemed to bottom out by September 2019. However, world market prices on sugar fell back in spring 2020 with the Covid-19 negatively affecting many commodities, including sugar.

The increase in production after the abolishment of quotas and the return of EU as a structural net exporter of sugar, has resulted in increased competition inside the EU. The development in sales prices is now closer correlated to the development in the world market prices although the local and regional balances within the EU remain the main driver for the market price. Increased volatility of sales prices and lower average margins compared to the days of the sugar market regime are expected in the long term.

In order to guarantee long term profitability, 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 65 million annually until the end of the financial year 2023/24 compared to the financial year 2017/18 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 analysed, improvement targets and plans are set. We are preparing to launch the 2030 strategy in 2020.

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. 6 water, no. 7 affordable and clean energy, no. 8 decent work and economic growth, no. 10 inequality, no. 12 responsible consumption and production, no. 13 climate action, no. 14 oceans 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 minimise 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: https://www.nordicsugar.lt/fileadmin/Nordic_Sugar/Brochures_factsheet_policies_news/Download_center/Policies_and_certificates/Energy_and_environmental_policy/NZ-1.2-P03_Nordzucker_Energy__Environmental_Policy.pdf. The most material risk to the environment is soil tare.

Sugar production is an energy-intensive process. Apart from the expenses which sugar beets entail, energy consumption is a major cost factor and thus also of economic significance. To address our future climate impact, we have set a new ambitious climate target for 2030. Our target is to reduce scope 1 and 2 GHG emissions for Nordzucker with at least 30% (baseline 2018). We have set up a cross-functional team to meet these targets for 2030 and also to work towards 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 2019 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 plants 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 2019/20 our energy consumption was 10% higher compared to 2014 and our CO_2 emissions were 6% higher compared to 2014. The higher energy consumption and CO_2 emissions are mainly due to a wet campaign and sugar beets with less sugar content.
- 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 2019/20 was 89.4%, compared to 91.6% the year before. The cleanness was extraordinarily high in 2018/19 due to the very dry weather.

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 https://www.nordzucker.com/fileadmin/downloads/unternehmen/Pressemitteilungen/2018/NZ_SCoC_GB_130618-final.pdf

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 the 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 2019 we carried out 3 supplier audits of which 1 was 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 2019 62% of the assessed farmers received a gold rating, while 38% received a silver rating.

Anti-corruption

Anti-corruption 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. We have had one reported case in Denmark in 2019. To avoid corruption a four eyes-principle is part of our purchase handling in the Nordzucker group. The "four eyes 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 2020.
- Furthermore, the Code of Conduct refresher training will be carried out during 2020.

Social responsibility

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 and thus the most material risk, 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 neighbors. We open the factories for visits from neighbors, 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 2019/20 compared to 4.3 % in 2018/19, so a small fall in the past year.
- Our target is 100% performed dialogues for all employees. In Denmark we reached 89% performed dialogues during 2019. Focus for the future is that all dialogues with employees must be kept.
- There was 1 serious accident (with more than 3 days absence) in the Danish operations in 2019/2020. In 2018/2019 we had 2 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 was > 18%. The figure was 17% in Denmark in 2019 due to organizational changes.

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 Nordzucker 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 clearly updated picture of the material issues and our progress within these areas.

HR policy

With respect to the female representatives of the Nordic Sugar board, previously being the underrepresented gender, the board decided on 4 June 2019 that the target for 2023 should be 50% - 50% gender representation in the board. Currently, one out of five board members elected at the general assembly is a female representative. Thus, the target for 2023 is currently not fulfilled. The current board members are found to be the most suitable representatives based on experience and competencies.

It was 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 2019/20 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 10 new white collar employees in financial year 2019/20, 3 of those were female.
- In the financial year 2019/20, 1 female manager was appointed to take over a broader responsibility within the company.

Income statement

1 March 2019 - 29 February 2020

(DKKm)	Note	2019/20	2018/19
Revenue	3	**2,024**	**2,082**
Production costs	4	-1,745	-1,769
Gross profit		**279**	**313**
Distribution and sales expenses	4	-210	-228
Administrative expenses	4	-57	-74
Other operating income		72	102
Other operating expenses		-72	-84
EBIT	5	**12**	**29**
Income from investments in subsidiaries	6	-37	-40
Financial income	7	20	34
Financial expenses	7	-12	-12
Profit before tax		**-17**	**11**
Income tax	8	-4	-11
Profit for the year		**-21**	**0**

Balance sheet

ASSETS

(DKKm)	Note	29 February 2020	28 February 2019
NON-CURRENT ASSETS			
Intangible assets	9		
Other intangible assets		43	31
Total		43	31
Property, plant and equipment	10		
Land and buildings		227	226
Plant and machinery		548	578
Fixtures, fittings, tools and equipment		20	13
Prepayments and assets under construction		5	8
Total		800	825
Financial assets	11		
Investments in subsidiaries		735	772
Total		735	772
Total non-current assets		1,578	1,628
CURRENT ASSETS			
Inventories			
Raw materials and consumables		91	91
Finished goods and goods for resale		751	777
Total		842	868
Receivables	12		
Trade receivables		216	200
Receivables from related parties		38	8
Current income tax receivable from Nordic Sugar Holding A/S		0	11
Other receivables		15	21
Accruals		3	5
Total		272	245
Cash and cash equivalents		18	13
Total current assets		1,132	1,126
Total assets		2,710	2,754

Balance sheet

EQUITY AND LIABILITIES

(DKKm)	Note	29 February 2020	28 February 2019
EQUITY	13		
Share capital		1,000	1,000
Other reserves		783	804
Cash flow hedges		-7	2
Proposed dividend		0	0
Total equity		**1,776**	**1,806**
PROVISIONS			
Provision for deferred tax liability	14	123	122
Other provisions	15	9	6
Total provisions		**132**	**128**
NON-CURRENT DEBT	16		
Other payables	18	15	2
Total		**15**	**2**
CURRENT DEBT	16		
Trade payables	17	234	283
Amounts owed to related parties		501	489
Other payables	18	52	46
Total current liabilities		**787**	**818**
Total liabilities		**934**	**948**
Total equity and liabilities		**2,710**	**2,754**

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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 2018		**1,000**	**804**	**3**	**520**	**2,327**
Dividend paid		-	-	-	-520	-520
Transferred, cf. distribution of profit	2	-	-	-	-	0
Changes in cash flow hedging		-	-	-1	-	-1
Tax on changes in cash flow hedging		-	-	-	-	0
Equity at 1 March 2019		**1,000**	**804**	**2**	**0**	**1,806**
Dividend paid		-	-	-	-	0
Transferred, cf. distribution of profit	2	-	-21	-	-	-21
Changes in cash flow hedging		-	-	-12	-	-12
Tax on changes in cash flow hedging		-	-	3	-	3
Equity at 29 February 2020		**1,000**	**783**	**-7**	**0**	**1,776**

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 have been changed compared to previous year due to the implementation of IFRS 15 concerning revenues and IFRS 16 concerning lease contracts. The adoption of IFRS 15 does not have any impact on the recognition and measurement of revenues plus profit for the year, equity and assets/liabilities. The adoption of IFRS 16 means that all lease contracts applicable for capitalisation have been recognised as assets and liabilities from 1 March 2019 (modified retrospective transition method). Until the end of the financial year 2018/19 lease contracts were capitalised in accordance with IAS 17, i.e. finance lease contracts. The company does not capitalise short term lease contracts with a useful life of less than 12 months and low value lease contracts and the service component of lease contracts is as well not capitalised. The adoption of IFRS 16 has resulted in a capitalisation of property, plant and equipment at an amount of DKK 28 million which is depreciated linearly over the useful life. At the end of February 2020, the value of property, plant and equipment respectively other debt is DKK 15 million higher due to the adoption of IFRS 16. . The implementation has not had any effect on equity as of 1 March 2019.

Besides the above the annual report has been prepared in accordance with the same accounting principles as last 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 the 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).

Note 1 – Accounting policies - continued

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 in accordance with the principles in IFRS 15 (point in time).

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 and reversals hereof 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 capitalised 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
CO2 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.

Lease contracts and related lease liabilities are recognised at the present value of the lease payments in accordance with IFRS 16. Recognition takes place when the assets are made available for the company. Such leases are subsequently depreciated linearly 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 leases are recognised as financial expenses in the income statement.

Lease payments under non-capitalisable leases include short-term leases and low-value leases and are accrued and recognised in the income statement as operating expenses over the lease term. The service component of lease contract is as well not capitalised, but recognised as operating expenses in line with the use of the assets.

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.

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)	2019/20	2018/19
Amount to be carried forward	-21	-
Proposed dividend	-	-
Total	-21	-

3 Segment reporting

(DKKm)	2019/20	2018/19
Product segments		
Sugar	1,757	1,799
By-products	200	205
Other	67	78
Total	2,024	2,082

4 Employee expenses

(DKKm)	2019/20	2018/19
Employee expenses		
Wages and salaries	-221	-237
Defined contribution plans	-20	-21
Social security expenses etc.	-4	-5
Total	-245	-263
Employee expenses are included in the costs below		
Production costs	-160	-158
Distribution and sales expenses	-40	-41
Administrative expenses	-45	-55
Other operating expenses	-	-7
Total	-245	-261
Employee expenses, which are included in the balance sheet		
Projects	-	-2
Total employee expenses	-245	-263
Average number of employees	466	490

The remuneration of management and board amounted to DKKt 1,948 respectively 82 during the financial year 2019/20. The remuneration of management and board amounted to DKKt 2,623 respectively 75 during the financial year 2018/19.

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)	2019/20	2018/19
Impairment of inventories related to sales contracts recognised as Production costs	-5	-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	-37	-107
Total	-37	-95

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

6 Income from investments in subsidiaries

(DKKm)	2019/20	2018/19
Dividend	-	67
Value adjustment of investments	-37	-107
Total	-37	-40

7 Financial income and expenses

(DKKm)	2019/20	2018/19
Financial income		
Gains on derivatives	19	11
Other financial income	1	23
Total	20	34
Financial expenses		
Financial expenses to related parties	-2	-1
Losses on derivatives	-10	-11
Other financial expenses	-	-
Total	-12	-12
Financial income and expenses, net	8	22

8 Income tax

(DKKm)	2019/20	2018/19
Current tax on profit for the year recognised in the income statement	-	-16
Change in deferred tax for the year recognised in the income statement	-4	5
Total	-4	-11

Total current tax for the financial year 2019/20 amounts to DKKm 0 of which DKKm 0 has been recognised in equity.

Notes to the balance sheet

9 Intangible assets

(DKKm)	CO2 certificates	Rights	Total
Cost at 1 March 2019	31	5	36
Additions	14	1	15
Disposals	-2	-	-2
Cost at 29 February 2020	**43**	**6**	**49**
Amortisation at 1 March 2019	-2	-3	-5
Amortisation of disposals during the year	2	-	2
Amortisation for the year	-3	0	-3
Amortisation at 29 February 2020	**-3**	**-3**	**-6**
Carrying amount at 29 February 2020	**40**	**3**	**43**

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 2019	791	2,430	64	8	3,293
Additions	26	21	13	3	63
Disposals	-8	-30	-4	-1	-43
Reclassifications	1	4	-	-5	-
Cost at 29 February 2020	**810**	**2,425**	**73**	**5**	**3,313**
Depreciation and write-downs at 1 March 2019	-565	-1,852	-51	-	-2,468
Depreciation of disposals during the year	7	29	4	-	40
Depreciation for the year	-25	-54	-6	-	-85
Reclassifications		-	-	-	-
Depreciation/write-downs at 29 February 2020	**-583**	**-1,877**	**-53**	**0**	**-2,513**
Carrying amount at 29 February 2020	**227**	**548**	**20**	**5**	**800**
Carrying amount of leased assets	11	-	6	0	17

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 2019	772
Additions	-
Disposal	-
Value adjustment	-37
Carrying amount at 29 February 2020	735

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

* Nominal share capital in 1,000's.

Subsidiaries	Country	Currency	Result**	Equity**
Nordic Sugar Oy	Finland	EUR	1	62
Sucros Oy	Finland	EUR	-5	88
Suomen Sokeri Oy	Finland	EUR	-1	43
Nordic Sugar SIA	Latvia	EUR	0	0
AB Nordic Sugar Kedainiai	Lithuania	EUR	1	34

** 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)	2019/20 29 February 2020	2018/19 28 February 2019
Other receivables		
VAT and other taxes	7	9
Derivative financial instruments	7	11
Other	1	1
Total	15	21

Accruals include accrued insurance premiums and prepaid rent etc.

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

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)	2019/20 29 February 2020	2018/19 28 February 2019
Deferred tax liability at 1 March	122	127
Change in deferred tax recognised in the income statement	4	(5)
Change in deferred tax recognised in equity	-3	-
Deferred tax liability at 29 February	123	122

15 Other provisions

(DKKm)	2019/20 29 February 2020	2018/19 28 February 2019
Other provisions at 1 March	6	4
Provisions during the year	9	6
Provisions utilised during the year	-6	-4
Other provisions at 29 February	9	6
Due date is expected to be:		
Within 1 year	9	6
Over 1 year	-	-
Total	9	6

Other provisions mainly include obligations towards employees.

Notes to the balance sheet

16 Maturity analysis of debt

(DKKm)	2019/20 29 February 2020	2018/19 28 February 2019
Remaining contractual maturities		
Within 1 year	787	818
Between 1 and 5 years	15	2
Over 5 years		-
Total	802	820

17 Trade payables

With reference to the current industrial professional agreement with beet growers supplying beets based on a variable pricing model, the EBIT profit/loss sharing has been calculated according to IFRS based on an EBIT of DKK 3 million.

18 Other payables

(DKKm)	2019/20 29 February 2020	2018/19 28 February 2019
Non-current other payables		
Derivative financial instruments	5	-
Finance lease debt	10	2
Total	15	2
Current other payables		
Wages, salaries, holiday pay, etc	35	36
VAT and other taxes	1	1
Finance lease debt	7	1
Derivative financial instruments	6	8
Other items	3	-
Total	52	46

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 sugar futures are entered into at group level and subsequently allocated to each entity upon realisation. 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 29 February 2020 (DKKm)

	Period	Recognised receivables	Recognised payables	Hedging	Net position
EUR	< 1 year	81	-8	0	73
NOK	< 1 year	27	-1	-26	0
USD	< 1 year	2	0	-2	0
Other currencies	< 1 year	0	-1	1	0
Total		110	-10	-27	73

Price exposure related to sugar (DKKm)

The fair value of FX forward contracts except for cash flow hedges cf. below is DKK 5 million on 29 February 2020.

Cash flow hedging (DKKm)

The company has applied cash flow hedging for the following anticipated oil transactions as per 29 February 2020:

	Period	Contractual value	Gain/loss recognised in equity
(DKKm)			
Oil swaps	0-24 months	106	-10
FX forward contracts	0-24 months	Same as oil swap	1
Total	0	106	-9

During the financial year 2019/20 gains of DKK 11 million have been offset against cost of goods manufactured of which DKK 4 million have been recognised in production costs as a result of sales transactions. Furthermore, gains from previous year of DKK 19 million 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 DKK 23 million.

Supplementary notes

20 Contingent assets and contingent liabilities

(DKKm)	2019/20 29 February 2020	2018/19 28 February 2019
Guarantees and other financial commitments	12	28
Total	**12**	**28**
Operating lease and rental obligations		
Maturity of operating lease and rental obligations:		
Within 1 year	2	11
Between 2 and 5 years	-	10
Total	**2**	**21**

Operating lease and rental obligations

The company has only entered into operating lease agreements in the normal line of business. The leasing agreements include 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 29 February 2020, the net taxes payable to SKAT by the companies included in the joint taxation amounted to DKK 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.

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:

Transactions with related parties are carried out on an arm's length basis. With reference to section 98c of the Danish Financial Statements Act, transactions with related parties are consequently not disclosed.

22 Post balance sheet events

The pandemic outbreak of Covid-19 after the end of the financial year 2019/20 is expected to have limited to moderate negative impact on the company.

Sales have been very high in March 2020 due to hamstering, but have been lower in April 2020. It is expected that sales will be realized at a slightly lower level due to reduced activity in the hotel, restaurant and tourism segment plus entertainment segment.

No significant impact on the agricultural and production related functions is so far expected, but a second wave of the outbreak could have a moderate negative impact on operations.

So far, the biggest impact comes from unbalanced raw material markets, including the world market for sugar and oil. Both markets have experienced a significant decline in prices. It remains to be seen if the decline in the world market price for sugar will continue for the rest of the financial year or a large part of it. If the decline continues, it is expected to have a moderate negative impact on the financial performance of the company in relation to unhedged sales.