

Annual Report 2020/2021

Good.Better.Excellent!



Nordzucker returns to clear profits after two years of losses. Positive market development has also contribute to this. However, Nordzucker's success primarily reflects the achievement of ambitious goals throughout the Group. Our restructuring and our comprehensive and long-term cost-reduction program are an essential part of our success. We have achieved this together with our employees, and we are proud of that. But we are by no means finished here. It's not enough to be good – we aspire to excellence. This annual report spells out in detail what that means for us.

Joint virtual Annual General Meetings on 7 July 2021

For the first time, the Annual General Meetings of Nordzucker AG and Nordzucker Holding AG will be held connected via a joint agenda in 2021.

Due to the ongoing Corona pandemic, the the Annual General Meeting will be held purely virtually. The broadcast will take place on 7 July 2021 from 9.00 a.m. from our corporate headquarters in Braunschweig. Our shareholders will receive further information on the procedure and technical details with their invitation to the Annual General Meeting.

You can also visit our Annual General Meeting portal online in advance at:
www.nordzucker.com/de/hauptversammlung

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Excellence initiatives

Thanks to our transformation program, Nordzucker is now back in the black. We now intend to build on that. Through a wide range of initiatives covering every area of our company, we will make Nordzucker even more competitive over the next few years.



Supply chain: integrated business planning

One of our strengths is delivering our sugar to our customers at the right time, in the right quantity and with the desired level of quality. In order to further optimize our sugar logistics, we are making improvements to our planning and logistics software – above all, at the interfaces with our logistics service providers and our customers.



Smart Beet initiative

A successful sugar business requires high-yield beet cultivation. We aim to combine environmentally friendly methods with stable yields. We are testing out new technologies and the best cultivation methods alongside our beet growers in the field.



Achieving operational excellence

We extract sugar from beet at our plants by means of extraction and vaporization processes. For an established industry to achieve excellence in its production activities, its processes and structures require continuous improvement. This large-scale project is reviewing, optimizing and digitalizing work activities at all of our plants from scratch.



New opportunities

Sugar sweetens and improves the taste of food and drink. However, the sugar content and valuable fibres of beet also represent an attractive reservoir of raw materials. What else can sugar and beet be used for? Our recently established "New Opportunities Team" is looking into this question.



Profitability improvement program

Wherever we operate, we are able to improve things further and to reduce costs. With our program for improved profitability, we have taken a very close look at our value chain, examined areas of potential and on this basis identified concrete goals which we aim to achieve over the next few years locally in all countries.

The Executive Board



»We have major ambitions for the future. With our extensive excellence initiatives, we will take Nordzucker to a new level.«

Dr Lars Gorissen
Chief Executive Officer (CEO)



»Our employees have demonstrated a very strong level of commitment, responsibility and flexibility in the difficult environment caused by the coronavirus pandemic. That is a huge achievement!«

Axel Aumüller
Chief Operating Officer (COO)



» We must continue to improve our cost structure. Over the next few years, we will implement further optimization and digitalization measures while lowering our costs.«

Alexander Bott
Chief Financial Officer (CFO)

Dear shareholders,

Nordzucker once again achieved a profit in the 2020/2021 financial year and was firmly in the black. It realized an operating result of EUR 81.0 million, compared to EUR –14.6 million in the previous year. Revenues have increased from EUR 1,438.5 million to EUR 1,670.4 million.

Our employees have made this success possible through their active support for our transformation program “Act Now!” and their many great ideas. The entire workforce has demonstrated a very strong level of commitment, responsibility and flexibility, particularly in the difficult environment caused by the coronavirus pandemic. All of us on the Executive

Board would like to expressly thank the company’s employees for this. It is a huge achievement!

Within the scope of our transformation, we have streamlined our organizational structure and adjusted it in line with the new challenges. We have realigned our market and customer

strategy with the goal of remaining a valuable and reliable partner for our customers on a long-term basis, even during times of market turbulence. We have also reduced our costs and optimized our business processes and already achieved earnings contributions of around EUR 55 million on a sustained basis. We have thus returned Nordzucker to profitability. The positive course of business was supported by the market trend, with very stable prices in the EU, and was only marginally affected by the pandemic-related decline in sales.

Looking ahead, the world sugar market remains volatile and difficult to predict. Surely no one would have expected world market prices to have recovered quite as quickly and quite as strongly following their huge pandemic-related decline in the spring of 2020. In

our core market, the EU, prices are currently largely stable. But we should not blind ourselves to the fact that the price fluctuations on the world market will likewise affect the EU.

Nordzucker is highly exposed to climate change and needs to respond to this with determined action. Huge cuts in CO₂ emissions must be achieved in order to safeguard a decent quality of life for future generations here on Earth. We aim to end our use of coal as an energy source by no later than 2030 and subsequently to achieve carbon-neutral production through a series of further steps. Those are enormous challenges, which will require huge investments as well as innovations. In order to achieve this, we need a reliable political framework. With our 2030 sustainability strategy, we have explicitly signed up to these goals. To make clear our ambitions, In April 2021, we have joined the Science Based Targets initiative. Independent climate scientists determine science-based targets (SBTs) for reductions in greenhouse gas emissions. These experts ensure that the reduction in each company’s level of emissions is consistent with the climate protection measures required to prevent the catastrophic effects of global warming. We have to, and will, make our contribution!

For us, sustainability means more than just working to mitigate climate change. Our agenda for the next few years also includes social commitment throughout our supply chain, production of sustainable products, the development of sustainable cultivation methods together with our beet growers, more environmentally friendly packaging and much more. These initiatives are just as important for our business as technological and digital development and the continuous improvement of our processes alongside further cost reductions.

» We want to continue to massively reduce CO₂ emissions. Future generations are close to our hearts.«



Nordzucker has returned to a clear profit in the 2020/21 financial year.«

We are aspiring to excellence, and we have great ambitions. We have therefore set ourselves demanding goals for the next few years. As well as our sustainability strategy, these include the continuation of our highly successful go to market program (ACE). In addition, we will launch further excellence programs in the areas of production, logistics and agriculture, which will lead to a comprehensive optimisation and digitalisation of our processes and lower our costs in a sustainable manner. We will naturally also adhere to the targets of our Act Now! program in this financial year and the next. All of these initiatives are intended to enhance the company's competitiveness, so that Nordzucker remains an attractive partner for beet growers in particular, with competitive beet prices.



The aim must be to remain an attractive partner for our beet growers with competitive beet prices.«

We have learned a great deal in relation to digitalization during the coronavirus pandemic. In March 2020, our IT team enabled people to switch over to working from home at incredible speed, wherever it was necessary. Right from the start, we brought in hygiene and protection concepts at our plants which in many cases anticipated the rules that were subsequently prescribed by law. Our employees have acted responsibly and in an exemplary fashion during the

pandemic. We have suffered relatively few pandemic-related staff shortages and have been able to continue our operating activities throughout the year and our campaign over the entire season, in all of the Group's countries.

The process of digitalization has long since reached the field of agriculture. We already offer extensive support for our growers through our AgriPortal, an accompanying app and our Agrilog system. But we are by no means finished here: over the next few years, we will make huge improvements and changes to our AgriPortal, aiming to be able to evaluate and share cultivation data even more effectively. We will also implement field trials locally, in order to test out and refine new methods such as band spraying, robotics and the utilization of beneficial insects. We will do so in cooperation with growers,

research institutes, seed breeders and manufacturers of agricultural machinery. The goal is to at least maintain, and ideally improve, the current beet yield level in an environment with fewer plant protection products.

Our new business in Australia is developing in line with our expectations and once again provided a positive contribution to consolidated net income in the 2020/2021 financial year. We continue to see our acquisition of Mackay Sugar Ltd. as marking merely the first step in our entry into the world of cane sugar.

Unlike the sugar market in the EU, a trend of growing demand is predicted for the world market. To date, the expected consolidation in the EU has not yet materialized due to an uneven playing field. However, we remain open to partnerships and growth opportunities here as well.

2020 was an exceptional year for the entire world, and many industries are currently struggling. With a positive earnings figure, forward-looking beet growers and motivated employees, we are pleased to be entering a new age which will certainly remain challenging, but which we will shape together on the strength of our strategy.

We would like to thank our shareholders for the trust you have placed in us and which we will rely on, going forward, as we chart the continuing development of our and Nordzucker.

The Executive Board

Dr Lars Gorissen

Axel Aumüller

Alexander Bott



We start into a new era with a demanding ambition.«

Excellence in sustainability – our new strategy to get us to 2030

Sustainability is a key aspect of Nordzucker's development and has been an integral part of our business model for many years. Over the past few months, a series of Nordzucker experts have been working hard to develop measures and indicators within the scope of a new sustainability strategy, in consultation with the Executive Board.

Our new 2030 sustainability strategy covers our entire supply chain and is based on four pillars: Caring for people, sustainable sourcing, sustainable production and sustainable products. These four pillars comprise a broad range of obligations and measures covering issues such as climate change, the greening of agriculture and sustainable supply chains and reflect the changed expectations of consumers, employees and other social groups.

Our new strategy is based on many years of commitment to protection of the environment and to sustainability. We were already active in this area over 30 years ago, when climate change, conservation of resources and social commitment were not yet key topics of public debate. For instance, in the period from 1990 up to the present day we have already lowered the CO₂ emissions associated with our sugar production by around 60 per cent. Nordzucker has signed up to the Science Based Targets initiative as part of its new strategy and is working on aligning its Group-wide goal of lower greenhouse gas emissions with the objectives of the Paris climate agreement on an independent and scientific basis.



Caring for people

Good and healthy working conditions, fair treatment, diversity, tolerance and a particular focus on occupational safety symbolize the care we show our employees and serve as the basis for our positive and successful working relationship with them. All of this rests upon our four values: responsibility, courage, commitment and appreciation. These values have brought us together for many years, transcending national borders and cultural divides and shaping our behaviour.



Sustainable sourcing

As a producer, Nordzucker forms part of the supply chain between the supplier and the customer. Sustainable procurement means that we support human rights and the protection of the environment throughout our supply chain. Our Supplier Code of Conduct and our auditing system for beet growers serve as the framework for this. For sugar beet, our key raw material, we are developing new, environmentally friendly and improved cultivation methods alongside our growers.



Sustainable production

With our Go Green program, we are already hard at work realizing the transition to renewable energy sources, with the knowledge that this will require a high volume of capital expenditure as well as fresh ideas. Our CO₂ reduction goals have a scientific underpinning through our commitment to science-based targets for climate protection. This provides even greater transparency and external validation for our medium-term objective of CO₂ neutrality.



Sustainable products

We use every part of the beet in order to create our products: besides sugar, we also produce animal feed from beet pulp and molasses. This means that hardly any waste is left after processing. What is more, our products are sustainably packaged. We have documented our clear objectives for reduced packaging and increased use of recyclable material in our Corporate Policy on Sustainable Packaging.

Caring for people

Forward-looking and sustainable corporate governance includes a focus on people and their needs. Our employees are the backbone of Nordzucker, since they contribute to the company's success every day with their expertise, commitment and ideas.



PEOPLE, VALUES, RESPONSIBILITY

What makes Nordzucker an attractive employer?

The key factors include a modern and inspiring work environment which reflects the needs of current and future generations, diversity and comprehensive in-house trainings and further education programs. Our values of responsibility, dedication, courage and appreciation form the basis of our daily activities.

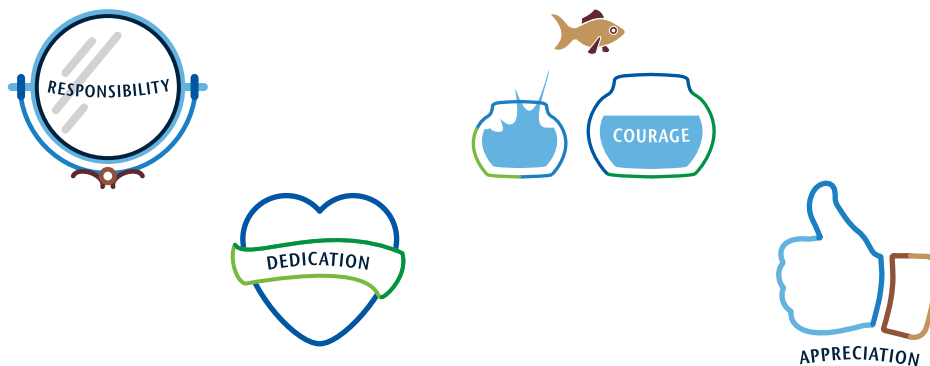
An emphasis on people and a clear ethical commitment characterize our interactions with one another and our corporate culture. For some years now, we have provided training covering our values and our Code of Conduct, with the goal of embedding them in our company while also pursuing their ongoing development. We actively promote openness, transparency and a willingness to communicate. Currently, over 90 per cent of our employees have received intensive training which has

provided them with in-depth knowledge of our Code of Conduct. We aim to provide training covering ethical issues for all of our employees. Our ethics committee ensures compliance with our values and investigates individual cases where necessary. One of our goals is to establish a network of value ambassadors at all of our sites, who will serve as an interface with our employees.

Awareness of sustainability is also important for us and we are pursuing extensive communication activities in this area.

In addition, all our plants regularly undergo external audits in line with the stringent SMETA (Sedex Members Ethical Trade Audit) requirements. We thus demonstrably comply with the highest labour, health and safety, environmental and corporate ethics standards.

Nordzucker Values



Safety, health and sustainability



We ensure safety in the workplace by deliberately promoting a safety-conscious culture: our employees assume responsibility for, and take good care of, themselves and other members of staff. We are working towards avoiding all accidents in the workplace.



We strongly emphasize the need for good mental health in order to ensure balanced, healthy everyday work life.



Our managers lead by example in relation to sustainability, and our philosophy is also reflected in our communication activities and our everyday relationships.

Health protection and care during the coronavirus pandemic

For more than a year now, the world has been focused on the pandemic. Right from the start, health protection and preventing the spread of the Covid-19 virus within the company were top priorities for Nordzucker.

A large number of preventive measures were immediately implemented in the spring of 2020, and these were strictly complied with even over the summer when restrictions were eased. These measures included separate shifts, refraining from home, social distancing and hygiene rules, UVC disinfection and refraining from physical meeting, plant visits and business trips.

These measures are being pursued hand in hand with a high level of responsibility as well as exemplary cooperation between our managers and the workforce.

Even during the coronavirus pandemic, our comprehensive hygiene, prevention and protection measures continue to exceed what is required by law and have proved highly successful. At all of our plants in Europe, we have been able to guarantee production and the delivery of sugar.

Sustainable sourcing

On the basis of our Supplier Code of Conduct, we have developed a multi-step approach with the goal of promoting sustainability across the supply chain. We aim to encourage our suppliers to integrate sustainability within their business models.



FARMERS AND SUPPLIERS AS SUSTAINABILITY PARTNERS

We can only meet the challenges of the future such as climate change, managing scarcity of resources, soil health and supplying a growing world population by working together with our suppliers.

We have already been pursuing this path with our beet growers for many years now, in particular by becoming a member of the Sustainable Agriculture Initiative Platform (SAI) in 2015. SAI is the leading food and beverage industry sustainability initiative and supports the development of sustainable agriculture across the globe. Since 2019, Nordzucker beet growers in all countries have been certified to at least silver status on the basis of an SAI farm sustainability assessment (SAI FSA). Our aim is for all of our growers to have gained the highest level of SAI FSA certification – gold status – by 2030.

For many years now, a central approach has been to improve yields per hectare and thus soil productivity for beet cultivation, in this way integrating economics

with ecology. Our Smart Beet initiative pools our various approaches and aims to at least stabilize beet cultivation yields, while also using less fertilizers and pesticides. Cost-effective organic beet cultivation becomes more relevant, and an increasingly large area has been devoted to this over the past few years.

With our latest supplier program (Supplier Sustainability Engagement Program), we are more strongly integrating all our suppliers and stepping up the process of dialogue on sustainability issues, particularly in relation to safe and socially responsible working conditions and environmental standards. We have long monitored our suppliers' respect for human rights by means of our own risk-based human rights due diligence approach.

Our company's Code of Conduct, our Supplier Code of Conduct and our Human Rights Policy are available for download at www.nordzucker.com.

Sustainability goals 2030 – sustainable sourcing

Key areas	Target
Responsible beet procurement	By 2025: at least 50% of growers to achieve SAI FSA gold standard certification. By 2030: all growers to achieve SAI FSA gold standard certification.
Stable yields for conventionally cultivated beet	Stable yields by comparison with a five-year average 2015-2020
Organic beet cultivation – closing the yield gap	By 2030: Organic beet growers achieve an average yield of 10 t/ha.
Increased integration of suppliers	Our aim is for all of our key suppliers to have signed up to our Supplier Sustainability Engagement Program (SSEP) by 2025.



Sustainable beet cultivation: the Smart Beet Initiative

How can we at least maintain average beet yields at their current level, while also reducing our use of fertilizers and pesticides? How can we encourage and improve soil health, soil fertility and biodiversity? In cooperation with growers, research institutes, seed breeders and manufacturers of agricultural machinery, we are examining new approaches and conducting field trials on site, in order to test out and refine new methods such as band spraying, robotics and the usage of beneficial insects.



New technologies enable much more precise application of pesticides. Within the scope of our Smart Beet initiative, we and our growers are researching mechanical-digital methods of crop protection and the use of robot technology in the field.



Beneficial insects such as ladybirds can help to reduce the use of pesticides. Their settlement also provides a positive contribution to biodiversity. We are supporting flower strips as a habitat for insects through a series of initiatives.



Our beet is always cultivated on a rotational basis, i.e. alternately with other crops in subsequent years. Moreover, thanks to its deep roots and its broad leaf canopy, beet promotes soil fertility and biodiversity.



What does the smartphone have to do with the beet? A lot. By mobile recording of leaf diseases in the field, for example, our cultivation advisors can immediately give good advice to secure yields. Digitalisation makes it possible to share knowledge. This plays an important role in improving cultivation.

Sustainable production

With regard to energy consumption and CO₂ emissions, Nordzucker is already setting standards today and exceeding the EU's target: since 1990, the amount of energy used in extracting sugar from beet has fallen by 40 per cent, while CO₂ emissions have decreased by 60 per cent. We aim to stop the use of coal by 2030 and, through a series of further steps, to switch to renewable energy entirely.



TACKLING CLIMATE CHANGE – CONSERVING RESOURCES

We require heat and electricity, and therefore energy, to evaporate the water – that makes up roughly 75 per cent of sugar beet – and to crystallize the sugar. Our boilers for the production of steam are mainly gas-powered. This steam generates electricity via a turbine and is subsequently used several times during the evaporation and boiling process. This heat and power generation used in our sugar factories is particularly efficient. This system has an energy efficiency rate of 85 per cent, which is significantly better than that of conventional power plants (which achieve a maximum of 50 per cent).

However, this is not enough in terms of protecting the climate. We are aiming to end our use of coal by no later than 2030 and to achieve carbon-neutral production as soon as possible, in compliance with the national requirements at our sites, at the latest by 2050. Our “Go Green” program to convert all of our plants to renewable energy

is now in its launch phase. We are currently examining and assessing the potential offered by different technologies and how they can be used in our plants. Promising technologies will subsequently be tested in full scale production, so that they can be implemented throughout the Group. This transition will require considerable investments, ideas and changes.

In order to achieve carbon neutrality, we aim to set ourselves goals which are ambitious and based on scientific facts. Nordzucker’s obligation to comply with science-based targets ensures that our new emissions targets are consistent with the Paris Agreement on climate change. Once independent climate scientists have reviewed our goals as a contribution to limiting global warming, our commitment will be publicly monitored on an annual basis.

Water cycles at the plant

Water is a scarce resource and it is important to conserve it. During the production process, we require water in order to wash sugar beet, for its transport within the plant and in order to remove the sugar from the beet. Around 75 per cent of sugar beet is water, and this is reused several times within a well-designed closed loop system. We are able to cover our fresh water needs almost entirely through the water which is naturally present in the beet in the field. Nonetheless, we aim to achieve further reductions in the volume of water which we require for additional purposes.



The path to carbon neutrality in production

Climate change means that huge cuts in CO₂ emissions must be achieved in order to safeguard a decent quality of life for future generations here on Earth. We aim to end our use of coal as an energy source by no later than 2030 and subsequently to achieve carbon-neutral production through a series of further steps. Those are enormous challenges, which will require huge investments as well as innovations. In order to achieve this, we need a reliable political framework.

2021

- CO₂ emissions reduced by 60 per cent since 1990
- Coal is only used at a few sites/gas is the main energy source
- Efficient power-and-heat generation
- Commitment to Science Based Targets initiative (SBTi)

2030

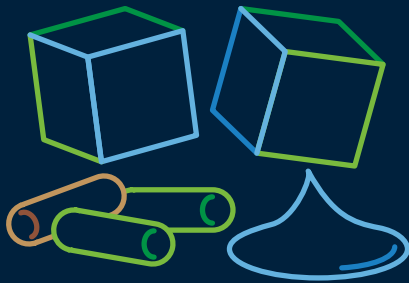
- Withdrawal from coal by 2030
- Reduced CO₂ emissions (based on 3-year average for the 2017–2019 period)
 - 12 per cent by 2025
 - 25 per cent by 2030

By no later than 2050

- All plants to be changed over to renewable energy sources, in compliance with legislative requirements in the individual countries
- High volume of investment
- Reliable political framework required

Sustainable products

Our sugar is a natural product which is mainly grown locally. The beet is transported short distances, the sugar is extracted in compliance with the highest quality, environmental and social standards. Almost all of the sugar beet is used.



FOR INCREASED TRANSPARENCY – MEASURING OUR FOOTPRINT

Carbon footprints and life cycle analyses provide information and transparency as to which products are better for the environment than others. We aim to achieve a more comprehensive picture of our products' carbon footprints and life cycle analyses. As well as the production process, procurement, transport and packaging play an important role in this.

Nordzucker has been participating in the debate over a healthy lifestyle and responsible consumption of sugar for many years now, through a range of different activities. We aim to provide information on nutrition and a healthy lifestyle.

Sugar is a natural product. The beet produces sugar in the field with the aid of the sun and water. When harvested, roughly 17 per cent of the beet is sugar. The rest of the beet is made out of water and valuable fiber. We use every part of the beet to create sugar and other products, in particular beet pulp cossettes as animal feed and molasses. A research topic for the future is to establish which other products can be created out of the various parts of the beet and the sugar. We are exploring new possibilities in this area with partners.

Wide SweetFamily organic range



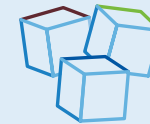
Our goals for sustainable packaging

Our principle:

avoid, reduce, reuse and recycle

Is packaging necessary?

We sell 80 per cent of our sugar and our animal feed and molasses in unpackaged form. Bulk trucks are used to transport our products directly to our customers, particularly to food manufacturers for further processing.



A small footprint

Where packaging is required, we ensure that the environmental footprint is as small as possible. Unnecessary packaging is eliminated and we take the social and ecological impact into consideration in our procurement of packaging materials.



Fully recyclable by 2025

Our goal is for all of our plastic packaging to be fully recyclable by no later than 2025.



Sustainable paper packaging

By 2025, we aim to achieve sustainable procurement of all primary and secondary paper packaging for our products, e.g. FSC certification.



We have documented our goals in our Corporate Policy on Sustainable Packaging. This is available for download at www.nordzucker.com.

Our involvement in initiatives

PROMOTING TRANSPARENCY AND DEVELOPMENT

Nordzucker is involved in various sustainability initiatives that aim to enhance sustainability and increase transparency in this area, while bringing together many other companies which are players along the value chain.

A MEMBER OF SAI SINCE 2015



The SAI is the most important initiative run by the food and beverage industry supporting the development of sustainable agriculture across the globe.

Nordzucker has been a member of the Sustainable Agriculture Initiative Platform (SAI) since 2015, and from early on it has promoted the work done on the SAI platform in order to encourage and document sustainable sugar beet cultivation. Since 2019, Nordzucker beet growers in all countries have undergone SAI FSA audits. Our aim is for all of our growers to have gained the highest level of SAI FSA certification – gold status – by 2030.

TRANSPARENCY THANKS TO EXTERNAL ASSESSMENT BY ECOVADIS



EcoVadis is the largest sustainability rating platform that assesses companies based on a range of non-financial management systems including Environmental, Labour & Human Rights, Ethics and Sustainable Procurement impacts.

Each company is rated on the material issues associated with their company's size, location and industry. The outcome of the EcoVadis sustainability rating is a scorecard that shows in which areas can companies improve, and how they compare to the benchmark in their industry. The EcoVadis methodology is based on international sustainability standards (Global Reporting Initiative,

United Nations Global Compact, ISO 26000). A scientific committee comprising corporate social responsibility (CSR) and supply chain experts monitors the assessment process. EcoVadis has been assessing Nordzucker since 2015.

COMMITTED TO CLIMATE PROTECTION THROUGH THE CDP

The Carbon Disclosure Project (CDP) is a global non-profit organization established in London in 2000 that aims to establish transparency in relation to environmental data. The CDP has established a leading and globally recognized environmental reporting standard and holds extensive data on corporate and governmental sustainability activities. Transparency in relation to climate-damaging greenhouse gas emissions and water consumption is a core area.

Once a year, the CDP collects data and information on companies' CO₂ emissions, climate risks and reduction targets and strategies which have been provided on a voluntary basis through standardized questionnaires. The CDP manages what is now the world's largest database of its kind.

Nordzucker has been a CDP member since 2010.



COMPREHENSIVE SMETA PLANT AUDITS

Sedex is one of the world's leading supporters of ethical trade that seeks to improve working conditions in global supply chains. Sedex provides practical tools, services and a network to help companies improve their responsible and sustainable business practices and source their supplies responsibly.

Nordzucker has been a member of Sedex (Supplier Ethical Data Exchange) since 2009. Through SEDEX, all of our plants regularly undergo external inspections through SMETA audits based on the Ethical Trade Initiative Base Code (ETI Base Code).





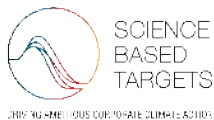
EMAS-COMPLIANT ENVIRONMENTAL STATEMENT

EMAS (Eco-Management and Audit Scheme) is a leading environmental management guideline. EMAS-certified businesses publish detailed environmental information about their activities and services. This includes communication of the company's energy and environmental policies, the significant environmental effects of our main activity – the production of sugar – and an annual environmental program including quantifiable targets to improve environmental protection.

For more than 20 years, Nordzucker has published environmental statements every year for its plants in Germany, in compliance with the EMAS Regulation.

In doing so, we make environmental information transparent and strengthen public confidence in our company's environmental performance – for example, in discussions with citizens, neighbours and local authorities.

DEMANDING SCIENCE-BASED TARGETS



The goal of the Science Based Targets initiative (SBTi) is to help companies to review their climate goals in line with scientific principles and in accordance with the goals of the 2015 Paris Agreement. In concrete terms, this means that overall measures should be sufficiently ambitious in order to limit global warming as required by the Paris Agreement. The SBTi is a partnership between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

Nordzucker signed up to the Science Based Targets initiative in April 2021. We are thus providing a clear sign of our ambitious commitment to climate protection.

After analyzing our emissions and activities, independent climate scientists will verify our specific target for a reduction in greenhouse gas emissions by 2030.

COMMITTED TO THE UN GLOBAL COMPACT

The UN Global Compact is the world's largest global sustainability initiative with over 9,500 participating companies and 3,000 non-commercial members.

The UN Global Compact's mission is to bring together a global movement of sustainable companies with responsible business models. These companies undertake to align their business strategies and activities with the principles of the UN Global Compact in relation to human rights, labour, the environment and the fight against corruption and to pursue measures to achieve the UN's Sustainable Development Goals (SDGs).

After taking a break for a few years, Nordzucker rejoined the UN Global Compact in 2021. The commitment includes annual progress reporting in relation to implementation of the Global Compact principles.



KEY FIGURES

Yield ratio

		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
RoCE ¹	%	8.5	10.2	-3.8	-0.9	4.6
EBIT margin ²	%	7.7	9.3	-4.3	-1.0	4.9
Total operating profitability ³	%	13.2	13.8	0.7	4.1	9.5
Return on revenues ⁴	%	5.6	7.0	-2.4	-1.1	3.8
Return on equity ⁵	%	7.0	8.0	-2.5	-1.2	4.7
Redemption period ⁶	years	-1.4	-1.3	-28.9	0.1	-0.3
Cash flow from operating activities per share	EUR	5.54	4.53	0.20	-0.8	0.4
Earnings (Group) per share ⁷	EUR	2.00	2.38	-0.69	-0.32	1.32
Dividend per share ⁸	EUR	1.10	1.20	0.00	0.00	0.6
Total dividend	EUR m	53.1	58.0	0.0	0.0	29.0

1 EBIT/Average capital employed

2 EBIT/Revenues

3 EBITDA/Revenues

4 Net income/Revenues

5 Net income/Equity

6 Net debt/EBITDA

7 Total income/Number of shares

8 Total dividend/Number of shares

Key financial figures

		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Revenues	EUR m	1,708	1,650	1,354	1,439	1,670
EBITDA	EUR m	226	227	9	60	158
EBIT	EUR m	131	154	-58	-15	81
Net income for the period	EUR m	99	118	-36	-15	66
Cash flow from operating activities	EUR m	268	219	10	-40	19
Cash flow from investing activities	EUR m	-119	-169	11	-130	-84
Free cash flow ¹	EUR m	149	50	21	-170	-65
Investment in property, plant and equipment and intangible assets	EUR m	84	89	106	100	88

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

Balance sheet ratio at the end of the financial year

		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Total assets	EUR m	2,117	2,183	2,010	2,219	2,341
Shareholders' equity	EUR m	1,375	1,429	1,316	1,280	1,355
Equity ratio	%	65	66	66	58	58
Debt capital	EUR m	742	754	694	940	986
Capital employed	EUR m	1,500	1,511	1,541	1,723	1,835
Financial liabilities	EUR m	12	4	6	95	150
Cash and cash equivalents	EUR m	322	307	266	139	126
Net debt (-)/deposit (+) ¹	EUR m	308	301	260	8	-43

1 Cash and cash equivalents – Financial liabilities

Beet cultivation and campaign

		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Sugar yield	t/ha	12.5	12.2	11.4	12.1	12.3
Sugar content	%	17.7	17.3	18.9	17.4	17.7
Campaign length	days	103	117	102	113	120
Sugar production from beet	millions of tonnes	2.50	2.70	2.40	2.49	2.70

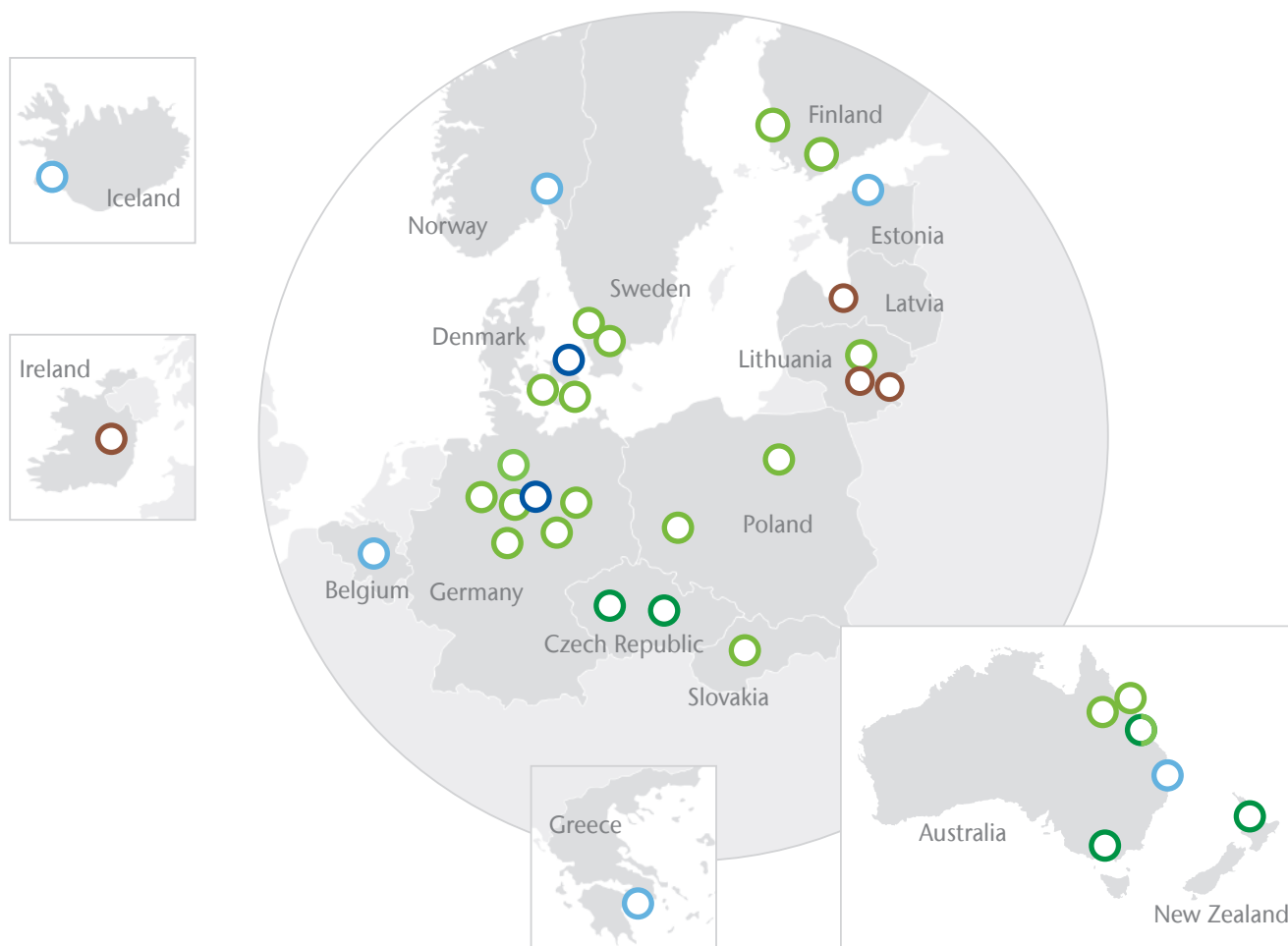
GROUP MANAGEMENT REPORT

2020/2021

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Nordzucker: in Europe and Australia



Administration

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

Plants

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

Sugar plants/refineries

	non-consolidated minority stakes
Czech-Republic	Sugar factory Dobrovice
	Sugar factory České Meziříčí
Australia	Refinery Racecourse
	Refinery Yarraville
New Zealand	Refinery Auckland

Other locations

Latvia	Riga
Lithuania	Kaunas, Nordzucker Business Services
	Vilnius
Ireland	Dublin

Representation

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

Management report

NORDZUCKER AT A GLANCE

Business activities

The Nordzucker Group, based in Braunschweig, Germany, is one of the world's leading sugar manufacturers. In the 2020/2021 financial year, the company produced 2.7 million tonnes of sugar from sugar beet in 13 sugar plants in seven European countries and 0.7 million tonnes of raw sugar from sugar cane in three plants in Australia. Last year the Group had an average of 3,792 employees at its 21 European and Australian production and refinery facilities.

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

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

The sugar manufacturer Mackay Sugar Ltd. (MSL) – in which Nordzucker holds a 70 per cent majority shareholding – produces raw cane sugar at three plants in Australia, for the domestic market and for export (mainly to Asia's growth markets). MSL also has a 25 per cent share in the joint venture Sugar Australia Ltd. Within the framework of this joint venture with Wilmar Sugar Australia, raw sugar is refined into white sugar in Racecourse, Yarraville and Auckland (New Zealand) and is marketed by Sugar Australia Ltd. and New Zealand Sugar Company.

Strategy

As one of the world's leading sugar companies, Nordzucker produces sugar from beet and cane in Europe and Australia. Founded in Europe, regionally rooted and globally active, the company reliably meets its customers' needs for sugar and related products. The company focuses on customer-oriented sugar sales, efficient sugar production, and promotion of the competitive capacity of beet cultivation. The Group benefits from its focus on its core business, a strong market position in the EU, a sugar business in Australia which is developing positively, a distinct regional presence, and a financial base which remains solid.

In order to remain competitive in a commodity market, it is necessary to reduce costs on an ongoing basis. Immediately following the end of the sugar market regime, in 2018 Nordzucker launched an extensive cost-reduction and optimization program to this end. The goal is to achieve core business savings of EUR 65 million overall by 2022/2023 and to optimize business processes. Around EUR 55 million of this – more than three quarters of the envisaged target – had already been achieved by the 2020/2021 financial year. In the area of administrative expenses, personnel and material cost savings of around EUR 28 million have been realized. In addition, further positive effects with a volume of around EUR 27 million were generated in the areas of production and sales. The remaining EUR 10 million will be achieved by 2022/2023, thus safeguarding long-term profitability. Despite the current recovery in EU prices, Nordzucker will stick to its planned measures as well as launch further initiatives.

In this context, Nordzucker embarked on an “excellence” initiative in March 2021. In the period up to the 2025/2026 financial year, this will involve further significant cost reductions and optimizations throughout the value chain, and in the areas of production and logistics especially.

Beet cultivation is the basis for the company’s core business in Europe. Key areas of focus are attractive contract offers with varying price models and continued promotion of the competitiveness of beet compared with other crop plants, thanks to its higher yields. The company is meeting the particular challenges associated with political and social demands for an agriculture in harmony with nature by implementing a variety of initiatives and field trials to improve yields, and by developing digital offerings for growers. Across the Group, these measures are being collectively implemented as part of the company’s “Smart Beet” initiative. Our “Green Database” project forms part of this initiative, as a further step in the evolution of our digital platforms and tools for our growers.

The focus of investments in the core business is on the expansion of customer-oriented logistics, a continued increase in efficiency – including the expansion of Nordzucker’s sugar plant in Sweden and the bundling of activities at a single site – and energy savings. The company consistently pursues the goal of reducing CO₂ emissions. Among other measures, preparations are currently being made for the conversion of all European plants to gas by 2030. The company plans to completely stop using fossil fuels in favour of renewable energy by 2050. This plan will contribute to the company’s comprehensive sustainability strategy. As well as reducing CO₂ emissions, this includes initiatives in the area of sustainable beet cultivation, sustainable procurement, sustainable packaging, sustainable products and sustainability in the workplace. Nordzucker is thus aiming to achieve excellence in the field of sustainability.

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

As well as our “excellence” initiative in our core business, we intend to continue to expand our activities in the cane sugar segment.

Nordzucker AG

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

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

Company management and organization

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

Nordzucker takes a functional approach to management and control. The managing directors of the Group's various national companies have been given increased local responsibility for the core process, which comprises agriculture, production, sales and logistics. At the Executive Board level, until 28 February 2021 tasks were handled by the Chairman (who was also responsible for agriculture) as well as the production, marketing and sales, and finance functions.

From 1 March 2021, the Executive Board was reduced in size. Other than the Chairman (who is also responsible for agriculture and sales), the Executive Board comprises the production (including product management) and finance (including the supply chain) functions.

The Nordzucker Group's internal strategy is based on a margin steering approach. This means all decisions must be oriented to the profit margin that is to be realized. In addition, the focus on process thinking prioritizes benefits for internal and external customers. The combination of these two performance indicators results in profit-oriented, effective and efficient management.

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

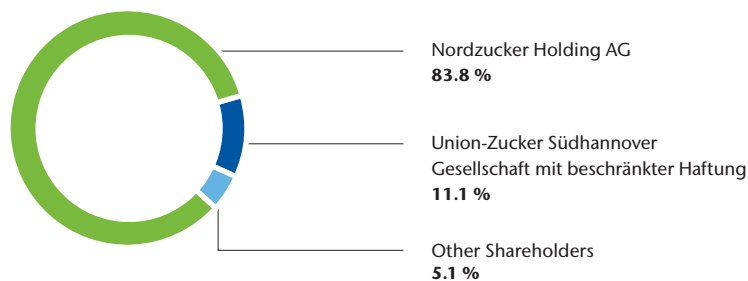
Following the end of the sugar market regime and in view of the resulting consequences, Nordzucker has redefined its targets for specific financial indicators. Since the 2018/2019 financial year, the target for the EBIT margin has fallen within a long-term earnings range of four to six per cent.

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

Shareholder structure of Nordzucker AG

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

Shareholder structure of Nordzucker AG



MACROECONOMIC SITUATION

According to the Organisation for Economic Co-operation and Development (OECD), global economic growth declined in 2020. While global gross domestic product (GDP) had increased by 2.7 per cent in 2019, the world economy contracted by 4.2 per cent in 2020. This contraction is a result of the ongoing coronavirus pandemic. The EU's economy has shrunk significantly by 7.4 per cent for the same reason, according to the European Commission.

In Germany, too, according to the German Federal Statistical Office the economic trend was clearly negative, with a decline of 4.9 per cent in 2020. However, this picture is not true of every industry. At its meeting on 23 March 2020, the German cabinet recognized agriculture and the food industry, including fishing, as infrastructure of systemic relevance. Companies whose activities are associated with the production, processing or sale of food thus form part of the "critical infrastructure" during the pandemic.

While individual product groups (in particular, non-perishable foods including sugar) were in especially strong demand at the start of the coronavirus pandemic and the food industry responded to this by adjusting its production capacities, sales have subsequently normalized over the course of the pandemic.

THE SUGAR MARKET

Sector developments

World sugar market

According to the market research institute IHS Markit, in the 2019/2020 sugar marketing year (1 October 2019 to 30 September 2020) global production (180.4 million tonnes) and consumption (181.0 million tonnes) were roughly in line with one another. In global terms, final stocks of 73.4 million tonnes in the sugar marketing year represented a decline of 3.6 million tonnes by comparison with the stock volume of 77.0 million tonnes at the start of the sugar marketing year.

For the 2020/2021 sugar marketing year, the global production figure is 179.4 million tonnes (–0.5 per cent on the previous year). The level of consumption is put at 182.1 million tonnes. At a global level, a difference of –4.3 million tonnes is assumed as of the end of the sugar marketing year. Worldwide stocks will thus continue to fall to 69.1 million tonnes.

Following the coronavirus-related shock in the spring of 2020, which resulted in significant drops in prices, sugar prices on the world market subsequently recovered in the months which followed. Prices climbed from EUR 321 per tonne in March 2020 to EUR 388 per tonne in February 2021.

As well as refineries' growing demand for raw sugar in China and Indonesia in particular, this price rise likely also reflects ethanol sales in Brazil, a weak harvest in Thailand and reduced export subsidies in India.

The sugar market in the EU

The European Commission estimates that sugar manufacturers in the EU produced 17.5 million tonnes of sugar (including the United Kingdom; excluding isoglucose) in the 2019/2020 sugar marketing year. This production volume was on a par with the previous year. At 2.4 million tonnes, imports also matched the previous year's level, so that the European market was adequately provided for. World market prices initially rose, but subsequently fell strongly at the start of the Covid-19 pandemic. The European Commission calculated an export volume of 2.4 million tonnes and a level of consumption in the EU of 17 million tonnes (of which 0.8 million tonnes for bioethanol). As of 30 September 2020, the EU's final stocks amounted to 2.4 million tonnes.

The supply situation in the EU and the recovering global market helped prices to increase slightly. The 2019/2020 sugar marketing year began in October 2019 with an average price of EUR 332 reported by the European Commission. In the following months, it climbed to EUR 376 per tonne of white sugar in September 2020.

For the 2020/2021 sugar marketing year (1 October 2020 to 30 September 2021), the European Commission has reported a production level in the EU-27 of 14.5 million tonnes (plus the United Kingdom: 0.9 million tonnes), which represents an 11 per cent reduction in the volume of production in the EU-27 by comparison with the previous sugar marketing year. This reflects a smaller area of land under cultivation as well as lower regional yields due to drought and the spread of leaf diseases. In view of the low but stable price level on the EU sugar market, at 2.3 million tonnes (of which 1.6 million tonnes of sugar and 0.7 million tonnes of products containing sugar) the EU-27's imports are expected to be slightly lower than the level seen in the previous year for the EU-28. The predicted volume of exports for the EU-27 in the amount of 3 million tonnes (of which 0.9 million tonnes of sugar and 2.1 million tonnes of products containing sugar) will cause final stocks to decline to just 1 million tonnes in the EU-27, compared to 2.4 million tonnes in the previous year (EU-28), with a level of consumption of 14.9 million tonnes (of which 0.6 million tonnes of bioethanol).

At the start of the sugar marketing year (October 2020), EU white sugar was pricing at EUR 381 per tonne. The trend for the current sugar marketing year to date continues to point to a stable price curve. The price in January 2021 was reported as EUR 388 per tonne.

Business performance in Europe

Industrial customer business

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

The factors outlined in relation to the world market are having a stabilizing effect on prices. The price level on the EU sugar market has likewise been largely stable in the past few months. At the end of the reporting period, the decrease in the volume of EU sugar production during the 2020/2021 sugar marketing year resulted in initial slight price increases on the spot markets. However, this contrasts with a decline in demand due to the pandemic.

Overall, in a market which contracted slightly the Group's business performance was characterized by sales in the EU which were stable or else increased slightly, and by a volume of exports which remained limited. For the financial year as a whole, average sales prices were increased year-on-year in all of the Group's European sales markets.

Retail customer business

The retail business includes customers in food retailing as well as discount stores and health and beauty retailers.

For the retail business, the start to the financial year was highly unusual due to very high sales volumes as a result of hoarding by consumers in response to the escalating coronavirus pandemic. Retail sales peaked in March 2020 but had already declined in April 2020, and the hoarding effect then gradually faded away over the course of the year. The second wave of the pandemic mainly impacted negatively on sales: the further south, the worse the negative effects. The food service sector which supplies restaurants, hotels etc. suffered, and so too did sales of sugar to this customer group. Following several years of declining consumption of household sugar, it is still too early to assess what effects the pandemic will have on longer-term consumption patterns for household sugar products.

The jam season in the summer of 2020 was positive, following a somewhat weak 2019 season. This is reflected in strong sales of preserving sugar products in all of the Group's markets.

Business performance in Australia

MSL likewise operates as a raw sugar manufacturer in a commodity market. The price of sugar for the core product is thus closely linked to the price of sugar on the world market and is accordingly volatile. In the context of the coronavirus pandemic and the related uncertainty on the world markets throughout the financial year, we can be highly satisfied with the slight improvement in earnings achieved in the reporting period.

MARKET FOR ANIMAL FEED AND MOLASSES

Sector developments

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

The markets for these products developed differently during the reporting year. Pressed pulp is traded in local markets close to Nordzucker's plants. Due to the dry previous years, this product once again attracted strong interest in 2020. The price level remained stable due to these trends as well as the high prices of alternative products.

Dried pulp pellets are mainly produced at Nordzucker's German and Northern European plants. While African swine fever, low milk prices and the coronavirus pandemic had hardly any impact on sales, at the end of 2020 the drought in much of Europe and rising prices of other agricultural products shaped the market for pellets. The coronavirus pandemic also affected the molasses market. As well as the additional demand in the fermentation industry, molasses sales were significantly stronger in the animal feed markets in the absence of exports of sugar cane. The prices of both products rose continuously. They are expected to remain scarce until the autumn of 2021.

Business performance

Sales of pressed pulp declined year-on-year. However, prices remained stable. In the 2020 campaign, organic pressed pulp was marketed for the first time, with great success. Prices of dried pulp pellet and molasses improved by comparison with the previous year. For dried pulp pellet, the expected volumes were even surpassed, due to the high level of export demand. In both the pellets market and the molasses market, Nordzucker benefited from rising prices over the course of the year under review.

MARKET FOR BIOETHANOL

Sector developments

Demand for bioethanol for fuel mixing fluctuated strongly in 2020 due to the pandemic. In the EU, there was an estimated demand level of 4.7 million tonnes for fuel mixing. This represents a decline of 2 per cent year-on-year and only slightly exceeded the local production volume of around 4.5 million tonnes. In Germany, demand for bioethanol for fuel mixing fell to roughly 1.1 million tonnes, which represents a decrease of 6.0 per cent on the previous year. Demand for petrol fell by 10.0 per cent in Germany year-on-year, on account of the pandemic. This meant that a higher proportion of bioethanol was added. To a limited extent, technical ethanol was also used occasionally for disinfectant purposes, on the basis of special authorizations. In the EU, the volume of demand for ethanol for use for disinfectant purposes was an estimated 0.4 million tonnes in 2020.

Due to the above-mentioned effects, the price of bioethanol for fuel mixing fluctuated to an unprecedented extent during the 2020/2021 financial year. While it was pricing at an all-time low of EUR 350 per m³ at the

outbreak of the coronavirus pandemic in March 2020, in the third quarter prices climbed to in excess of EUR 800 per m³ (reaching an all-time high of EUR 840 per m³ in September 2020) for around two months, before temporarily dropping below the EUR 500 per m³ mark as a result of the further EU-wide lockdowns at the end of the year.

On average in the past financial year, at EUR 585 per m³ prices were lower than in the previous financial year (when they averaged EUR 620 per m³).

Business performance

Nordzucker processes beet supplies in Germany to produce either sugar or bioethanol, depending on the respective market situation. On account of the decision to use available raw materials for sugar production, bioethanol production was only resumed one month prior to the start of the 2020 campaign and then continued up to the end of the 2020/2021 financial year following the stoppage in January 2020. Due to this protracted stoppage in the previous year, the volume of bioethanol production was therefore 50 per cent higher in the 2020/2021 financial year than in the previous financial year. In order to optimize earnings in the market environment mentioned above, bioethanol production was maximized during the 2020 campaign and then reduced to a minimum following the sharp drop in prices and sales at the end of 2020.

Nordzucker markets bioethanol in the fuel market as well as in its traditional area of use as industrial alcohol. In the past financial year, the pandemic-related supply of ethanol for the production of disinfectants was an additional segment, albeit a small one (one per cent of sales). At 87 per cent, the proportion of bioethanol sold for fuel mixing was higher than in the previous year. However, on account of the market environment mentioned above the prices that Nordzucker realized in this segment were lower than in the previous year.

BEET CULTIVATION AND SUGAR PRODUCTION

Main planting in Nordzucker's German growing area took place in the period from late March to mid-April, in very good conditions. The very dry weather in April and the arrival of rain in early May resulted in unequal sprouting of sugar beet in some cases ("layered beet"). The relatively cool May and a June with temperatures only slightly above average resulted in row closure around the end of June. Apart from a few regions in Saxony-Anhalt that were affected by heavy rainfall events in June, the summer was too dry in most regions of North Germany as in the previous year. Only in mid-August was the dry period interrupted by thunderstorms. September was then dry overall, followed by a wet October. These wet conditions resulted in above-average growth during the campaign. Sugar content was relatively stable throughout the campaign. With a sugar yield of 13.6 tonnes per hectare, the sugar yield in Germany exceeded the long-term average (13.2 tonnes per hectare).

The "viral yellowing" transmitted by the green peach aphid occurred at a local level and in some cases significantly reduced yields in the infested areas. The related findings served as a basis for regionally specific applications for emergency authorizations for the use of neonicotinoid seed treatments for the 2021 sowing period.

In the Scandinavian growing areas (in Denmark and Sweden especially), very good weather conditions resulted in clearly above-average sugar yields (Denmark +10 per cent, Sweden +8 per cent by comparison with the

long-term average). In Finland, there was a slightly above-average sugar yield (+1 per cent), while sugar yields in Lithuania were at +6 per cent clearly above average.

In Poland and Slovakia, sugar yields were well below their long-term average levels due to the extremely dry summer weather (Poland: –12 per cent, Slovakia: –9 per cent). As well as low beet yields, in particular the sugar content was very low due to strong levels of infestation with leaf diseases. In Slovakia, the start of rainfall in September resulted in declining yields.

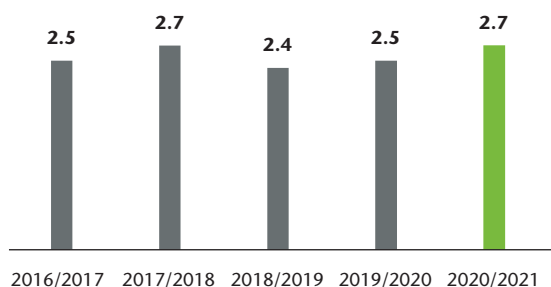
The average beet yield across the Group was 69.6 tonnes per hectare (previous year: 69.3 tonnes per hectare). The sugar content came to 17.7 per cent (previous year: 17.4 per cent), which represented an average sugar yield of 12.3 tonnes per hectare (previous year: 12.1 tonnes per hectare).

During the 2020/2021 campaign, Nordzucker produced some 2.7 million tonnes of sugar from beet across the Group (previous year: 2.5 million tonnes). The campaign lasted for 120 days, which was slightly longer than in the previous year (113 days).

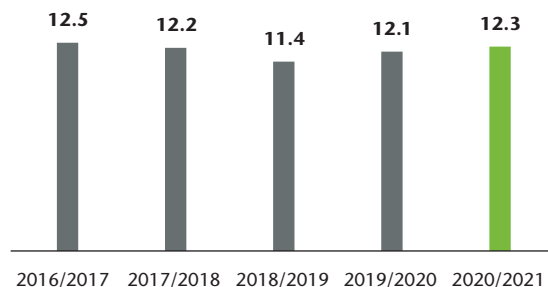
During the 2020/2021 campaign, organic sugar beet was cultivated for Nordzucker in Germany, Denmark, Sweden and Lithuania and was processed at its Schladen, Nyköping and Kedainiai plants in accordance with EU regulation No 834/2007 on organic farming.

In Australia, the harvest and processing period (“crushing season”) was completed in early December 2020 prior to the start of the rainy season. Favourable weather conditions during the crushing season resulted in an above-average sugar cane yield of around 78.7 tonnes per hectare (previous year: 72.9 tonnes per hectare), with a slightly above-average sugar content of 14.1 per cent (previous year: 14.0 per cent). As in the previous year, around 0.7 million tonnes of raw sugar were produced in Australia.

Sugar production Nordzucker Group
from beet, in millions of tonnes



Average sugar yield Nordzucker
tonnes per hectare



EARNINGS AND FINANCIAL POSITION AND NET ASSETS

The 2020/2021 consolidated financial statements included the Group's Australian equity investment MSL for a full financial year for the first time. In the previous year, the figures for the Nordzucker Group included MSL for a short financial year of seven months, from the date of its acquisition on 31 July 2019. A comparison of the income statement with the previous year is thus only possible subject to this limitation. This has not affected the balance-sheet comparison with the previous year.

As a rule, comments reflect the figures for the overall Group. For the sake of increased transparency, comparative figures have been provided in the text which represent the situation for the Group without MSL, including a comparison with the previous year for some selected items of the income statement.

Earnings position

Compared with the previous year, the earnings position of the Nordzucker Group has significantly improved. This mainly reflects a higher price level for sugar year-on-year as well as a further significant optimization and cost reduction within the scope of the transformation and cost-reduction program.

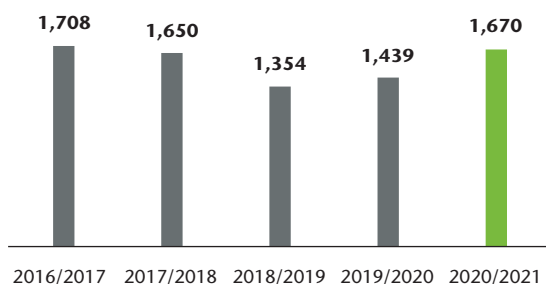
The Group's profitability is measured using the key indicators RoCE, EBIT margin and net income for the period.

RoCE, which reflects the ratio of EBIT (operating result) to the average level of capital employed, came to 4.6 per cent in the reporting year (previous year: –0.9 per cent). The yield thus improved significantly by comparison with the previous year.

The EBIT margin is calculated based on the ratio of EBIT to revenues. It came to 4.9 per cent in the reporting period (previous year: –1.0 per cent). The net income for the period amounted to EUR 66.0 million, compared with a net loss of EUR 15.4 million in the previous year.

Revenues increased by EUR 231.9 million, from EUR 1,438.5 million in the previous year to EUR 1,670.4 million. Without MSL's contribution, total revenues amounted to EUR 1,457.9 (1,324.0) million. This revenue growth is mainly due to a higher price level for sugar, increased sales volumes, higher prices for pellets and a significant rise in sales of bioethanol.

Consolidated revenues
in EUR m



Total revenues of EUR 1,341.3 (1,147.8) million were generated with sugar. Without MSL's contribution, revenues from sugar amounted to EUR 1,157.3 (1,052.7) million. The EUR 104.6 million increase was mainly due to higher sugar prices, while the volume of sales was largely unchanged year-on-year.

Revenues from the sale of bioethanol came to EUR 46.4 million, which was higher than the previous year's figure of EUR 33.5 million. This was mainly due to increased sales volumes. Revenues from animal feed include revenues from the sale of molasses, dried pulp pellets and pressed pulp. They totalled EUR 205.8 million and were thus EUR 33.3 million higher than in the previous year (EUR 172.5 million). In particular, this reflected the fact that MSL was included for a full financial year as well as the higher prices and sales volumes of pellets and molasses by comparison with the previous year. Other revenues decreased from EUR 84.7 million to EUR 69.9 million. This was principally due to a reduced volume of seed sales.

Production costs came to EUR 1,332.3 (1,205.7) million in the reporting period. Without MSL, production costs amounted to EUR 1,139.4 (1,105.0) million. This increase is mainly due to a higher volume of sales of bioethanol, molasses and pellets.

Sales costs totalled EUR 181.6 million, an increase of EUR 4.7 million on the previous year's level of EUR 176.9 million. As well as the increase resulting from the inclusion of MSL for a full financial year, reduced freight costs were more than made up for by a rise in the volume of expenses for rentals, land leasing and outside warehousing costs.

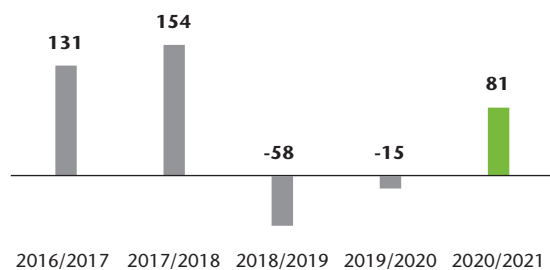
Administrative expenses amounted to EUR 70.5 million and were thus at the same level as in the previous year (EUR 70.7 million). Without MSL, at EUR 57.7 million these were once again lower than the previous year's figure of EUR 61.4 million. This decrease is mainly attributable to cost-reduction measures.

Production, sales, administrative and other expenses included total personnel expenses of EUR 252.1 (229.0) million and EUR 73.4 (72.7) million in depreciation of property, plant and equipment and amortization of intangible assets. Without MSL, personnel expenses amounted to EUR 203.7 (200.4) million and thus increased slightly by comparison with the previous year. Positive effects resulting from measures within the scope of the current cost-reduction program were more than made up for by collective wage increases, salary adjustments, bonus payments and increased pension expenses.

Other income came to EUR 34.6 million and therefore slightly exceeded the previous year's figure of EUR 32.3 million. This was mainly due to foreign currency gains in the amount of EUR 19.9 million (previous year: EUR 10.8 million). This was offset by lower income from the sale of property, plant and equipment as well as the release of provisions.

Other expenses came to EUR 39.5 million in the year under review and were therefore well above the previous year's figure of EUR 32.2 million. Besides foreign currency losses of EUR 21.9 (13.2) million, this was attributable to impairment losses/demolition costs as a result of the closure of the refinery in Arlöv as well as depreciation, amortization and impairment on account of the temporary shutdown of the refinery in Porkkala. This was offset by lower additions to provisions and reduced expenses for insured losses by comparison with the previous year.

Consolidated EBIT in EUR m



In total, the Nordzucker Group reported an operating result (EBIT) of EUR 81.0 million, as against EUR –14.6 million in the previous year. Without MSL, the operating result amounted to EUR 80.4 (–15.0) million. The operating result before depreciation, amortization and impairment (EBITDA) improved to EUR 158.4 (59.6) million (without MSL: EUR 151.6 million, compared to EUR 55.7 million in the previous year).

Financial income increased from EUR 3.5 million in the previous year to EUR 9.6 million in the year under review. This was attributable to income from the measurement of hedging transactions as of the reporting date in relation to the purchasing of CO₂ certificates and higher investment income.

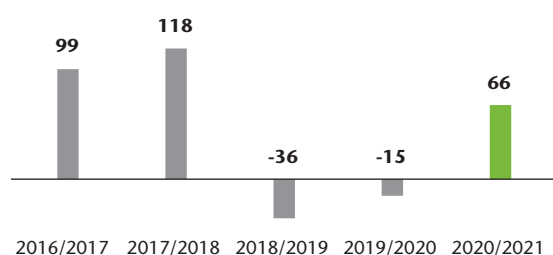
Financial expenses are largely made up of interest and similar expenses. Finance costs increased year-on-year from EUR 9.6 million to EUR 11.6 million. This rise was mainly due to interest charges as a result of MSL's existing financing arrangements.

Result from companies accounted for using the equity method amounted to EUR 8.4 million, compared to EUR 4.5 million in the previous year.

Due to the positive pre-tax earnings of EUR 87.4 million, tax expense amounted to EUR 21.5 million. This represents a tax ratio of 24.6 per cent.

In total, the Nordzucker Group reported net income before minority interests of EUR 66.0 million, as against EUR –15.4 million in the previous year. Without MSL, net income before minority interests amounted to EUR 63.1 (–17.2) million. After deduction of minority interests, this resulted in consolidated comprehensive income of EUR 63.8 million, compared with EUR –15.4 million in the previous year.

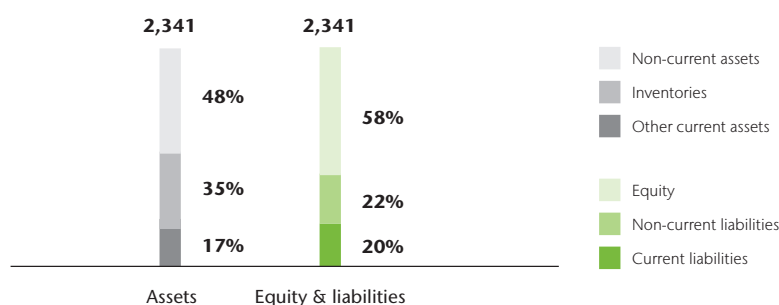
Consolidated net income in EUR m



Net assets position

Total assets for the Nordzucker Group amounted to EUR 2,341.3 million at the end of the reporting year, an increase of EUR 122.1 million on the previous year's figure of EUR 2,219.2 million. The higher volume of inventories by comparison with the previous year was a key reason for this increase. This contrasts with a positive net income figure and higher financial liabilities.

**Breakdown of the assets and liabilities
making up the 2020/2021 balance sheet total**
in EUR m



Intangible assets decreased slightly by comparison with the previous year (EUR 18.4 million) and amounted to EUR 17.2 million.

In the reporting year, the Nordzucker Group invested EUR 83.5 (97.4) million in property, plant and equipment. Capital expenditure was offset by current depreciation and amortization of EUR 70.3 (69.3) million and impairment losses of EUR 4.0 (0.8) million. Overall, property, plant and equipment increased to EUR 973.4 million, compared to EUR 956.6 million in the previous year.

Financial investments came to EUR 100.9 million and therefore slightly exceeded the previous year's volume of EUR 96.7 million. This increase was largely due to the positive earnings contribution provided by the Australian investments accounted for using the equity method and the corresponding rollover of the carrying amount.

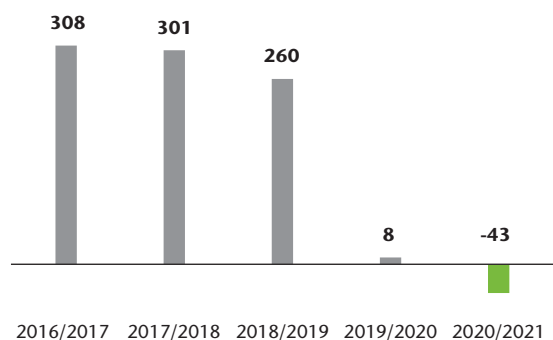
Inventories increased by EUR 93.0 million, from EUR 725.1 million to EUR 818.1 million. At EUR 61.1 (64.7) million, raw materials, consumables and supplies were slightly lower than in the previous year, and so too were unfinished goods and services at EUR 53.8 (57.1) million. On the other hand, finished goods and merchandise increased by EUR 99.9 million to EUR 703.1 (603.2) million.

Current receivables and other assets were EUR 28.0 million higher, at EUR 282.7 million compared with EUR 254.7 million in the previous year. Trade receivables and receivables from related parties rose to EUR 188.7 million, compared to EUR 181.0 million in the previous year. Current income tax receivables amounted to EUR 4.9 (4.7) million.

Current financial and other assets amounted to EUR 89.1 million, an increase of EUR 20.1 million on the previous year (EUR 69.0 million). This was mainly attributable to a purchase of CO₂ certificates.

Financial liabilities exceeded cash and cash equivalents by EUR 42.5 million as of the reporting date (previous year: net investment volume of EUR 8.0 million).

Net debt (-) deposit (+)
in EUR m



Equity rose by EUR 75.7 million in total to EUR 1,355.3 (1,279.6) million. Consolidated net income for the period increased equity by EUR 66.0 million (previous year: reduction of EUR 15.4 million). Equity also increased due to other comprehensive income of EUR 8.6 million which was recognized in the item of the same name in the statement of comprehensive income (EUR 4.1 million from the remeasurement of defined benefit plans after adjustment for deferred taxes and EUR 4.5 million from currency translation and other matters). Of the resulting consolidated comprehensive income after taxes in the amount of EUR 74.5 million, EUR 4.7 million is attributable to non-controlling interests. In the previous year, other comprehensive income had included a negative result of EUR –28.1 million from the remeasurement of defined benefit plans after adjustment for deferred taxes and EUR –9.9 million from other matters. The equity ratio is 57.9 per cent and thus roughly in line with the previous year's figure of 57.7 per cent.

At EUR 511.2 (494.8) million, long-term provisions and liabilities increased slightly year-on-year. The total includes non-current provisions of EUR 343.3 (347.2) million, of which EUR 263.3 (265.5) million mainly relates to pension obligations. The decrease by comparison with the previous year resulted in particular from a slightly higher discount rate for pensions.

Non-current liabilities increased to EUR 168.0 million, compared to EUR 147.5 million in the previous year. They mainly comprise non-current financial liabilities to banks of EUR 87.1 million which exclusively relate to MSL; other financial liabilities in the amount of EUR 17.9 million; and deferred tax liabilities, which rose from EUR 47.2 million to EUR 53.2 million in the year under review.

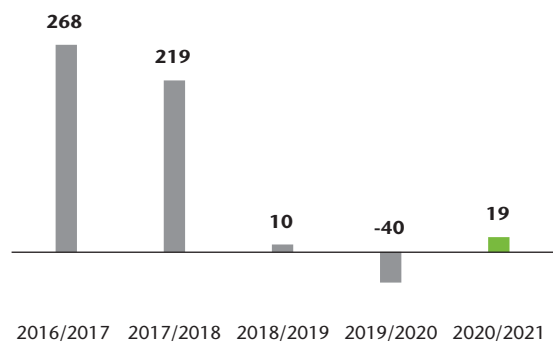
Current provisions and liabilities were at EUR 474.8 (444.9) million slightly higher than in the previous year. Current financial liabilities increased year-on-year to EUR 62.6 (25.3) million. In particular, this is attributable to increased drawing on bank loans in order to finance the campaign as well as the investments made by MSL.

Trade payables were at EUR 263.3 (253.2) million slightly higher than in the previous year. At EUR 47.1 (62.0) million, financial and other liabilities were lower than in the previous year.

Financial position

Cash flow from operating activities

in EUR m



Cash flow from operating activities of EUR 18.9 million was much higher than in the previous year (EUR –39.7 million). This increase was largely due to an improved earnings figure by comparison with the previous year. It was offset by the increased volume of working capital as a result of the rise in the level of inventories.

Cash flow from investing activities amounted to EUR –83.9 million, compared to EUR –130.3 million in the same period in the previous year. This was mainly due to the payments made for investments in property, plant and equipment, which decreased by EUR 21.7 million to EUR 83.1 million by comparison with the previous year. In the previous year, the cash flow from investing activities had also included EUR 37.1 million due to the acquisition of MSL.

Cash flow from financing activities amounted to EUR 51.1 million in the reporting year and was thus significantly higher than in the previous year (EUR –0.7 million). This is largely attributable to increased use of MSL's credit line for financing of the campaign as well as the investments made in the Australian plants.

The free cash flow, i.e. the total of cash flow from operating activities and cash flow from investing activities, came to EUR –64.9 million and was thus once again negative, following a figure of EUR –170.0 million in the previous year.

As of 28 February 2021, cash and cash equivalents amounted to EUR 125.7 (139.4) million. Cash and cash equivalents thus decreased by EUR 13.7 million year-on-year.

Overall assessment of earnings and financial position and net assets

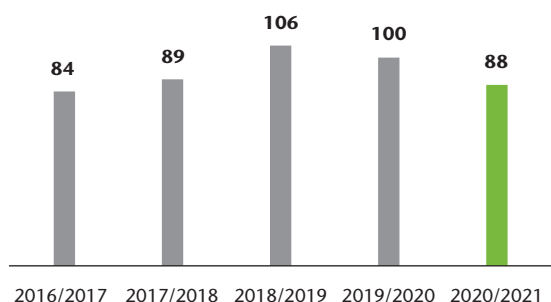
In the 2020/2021 reporting year, all of the Nordzucker Group's key earnings figures improved significantly by comparison with the previous year. RoCE came to 4.6 per cent, as against –0.9 per cent in the previous year. The EBIT margin came in at 4.9 per cent (previous year: –1.0 per cent). Net income for the period amounted to EUR 66.0 million, compared with EUR –15.4 million in the previous year. The significant improvement in the earnings

level compared with the previous year was attributable to further successes associated with the current cost-savings program as well as the continuous price recovery trend over the past financial year.

The Nordzucker Group's net assets and financial position remain stable. Due to the positive earnings figure, the equity ratio has improved very slightly year-on-year and amounts to 57.9 (57.7) per cent. As of the reporting date, the company has financial liabilities of EUR 149.7 million, compared to EUR 95.4 million in the previous year. Financial liabilities exceeded cash and cash equivalents by EUR 42.5 million (previous year: net investment volume of EUR 8.0 million). On the other hand, the cash flow from operating activities (EUR 18.9 million) reflects the positive earnings figure. Cash flow from investing activities came to EUR –83.9 million. This brings the resulting free cash flow to EUR –64.9 million.

CAPITAL EXPENDITURE

Capital expenditure in property, plant and equipment and intangible assets
in EUR m



In the 2020/2021 financial year, Nordzucker invested a total of EUR 87.9 (102.0) million in property, plant and equipment, financial investments and intangible assets. Nordzucker thus continues to invest in its competitiveness. As in previous years, the focus was on measures aimed at increasing efficiency, meeting regulatory requirements, and replacing existing assets.

In Sweden, Nordzucker continued its multiple-year program with the goal of delivering increased efficiency and the long-term concentration of production at its Örtöfta plant. The construction of the main building, the new production system for a range of sugar products, the liquid production system and the planning of the initial work on the foundations for the high-bay warehouse have begun. At the same time, consolidation measures have already been implemented at the Arlöv plant, where production was adjusted and sugar refined for the last time in 2020. Further major projects such as the modernization of the pulp press unit in Nordstemmen have commenced. The start-up of new gas burners in the boiler house in Örtöfta and the modernization of a sugar drying drum in Opalenica, a pulp press in Nakskov and a main sprocket in the extraction tower in Klein Wanzleben were significant smaller investments.

In Australia, Nordzucker has drawn up a multiple-year program focusing on improving the availability levels for the Marian, Farleigh and Racecourse plants. As a first step, by the time of the 2020 crushing season investment measures were realized, in particular, in the areas of steam and electrical energy supply systems as well as automation.

As of the reporting date, investment commitments for property, plant and equipment amounted to EUR 32.3 (30.8) million. These investment commitments will be financed by means of cash flow from operating activities.

FINANCING

Responsibilities and objectives of financial management

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

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

In October 2020, Nordzucker signed a new syndicated loan agreement which expires on 27 October 2023. This provides the company with access to EUR 300.0 million.

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

In the 2020/2021 reporting year, the agreed financial ratio (EBITDA in relation to net debt) was met at all test dates. On the basis of the planning currently available for the Group, the Executive Board of Nordzucker AG assumes that the covenants will not be breached in future.

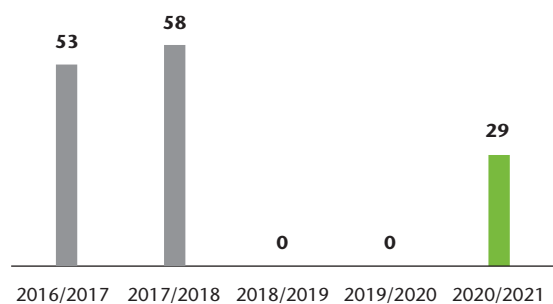
Mackay Sugar Limited is financed independently of the syndicated loan for the remainder of the Group. In addition to a maturity loan of AUD 100 million and an investment credit line of AUD 43.8 million with a term expiring in July 2024, MSL also has short-term current account credit lines to cover its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

Thanks to the operating cash flows achieved in previous years and the willingness of the company's shareholders to leave part of these cash flows within the company, the Nordzucker Group has accumulated a significant volume of freely disposable funds (as of the reporting date, EUR 125.7 million). These funds allow the company to continue pursuing its growth strategy. At the same time, they give the company sufficient reserves to hold its ground on the market if prices drop considerably. Nordzucker therefore considers itself well-placed to cope with the challenges associated with the current coronavirus crisis. Nordzucker is investing these freely disposable funds with banks, on the capital market and with investment companies; the investment horizon is less than one year. Nordzucker limits its risks by distributing its investments across various asset classes, by stipulating a minimum credit rating to be achieved for all investments and by using short interest periods.

DIVIDEND

The Executive Board and the Supervisory Board are proposing to the Annual General Meeting of Nordzucker AG that a dividend of EUR 0.60 per share be distributed for the 2020/2021 financial year.

Total dividends, Nordzucker AG
in EUR m



EMPLOYEES

In Europe, the Nordzucker Group had an average of 3,114 employees in the reporting year. Its workforce was thus smaller than in the previous year (3,146 employees). This is mainly attributable to the staff reduction program in administration. Job losses were greatest at the company's administrative locations in Germany and Denmark.

Following the acquisition of a majority shareholding in MSL as of 31 July 2019, this subsidiary now belongs to the Group. In the 2019/2020 financial year, the overall number of employees in Australia over the seven consolidated months averaged 673. For the purpose of the calculation of the Group's average total workforce, there were 0 employees in the period from March to July in the previous year. This resulted in a notional average workforce of 393 for Australia. In the 2020/2021 year, the average workforce in Australia for the year as a whole was now included (678 employees).

The number of employees for the Group as a whole has thus increased from 3,539 to 3,792.

NUMBER OF EMPLOYEES IN THE NORDZUCKER GROUP IN THE FINANCIAL YEAR

Annual average	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Total	3.283	3.206	3.236	3.234	3.208	3.539	3.792
Germany	1.263	1.262	1.292	1.320	1.340	1.308	1.298
Australia*						393	678
Denmark	501	487	477	458	449	429	416
Sweden	439	395	397	385	366	363	357
Poland	339	332	333	335	335	332	330
Finland	286	273	276	273	253	247	234
Lithuania	258	246	252	245	246	253	269
Slovakia	182	196	196	206	207	205	200
Ireland	11	11	10	9	9	8	8
Latvia	4	4	3	3	3	2	2

* Annual average for Australia, the months March to July 2019 were included with 0 in the calculation.

The average number of employees from August 2019 to February 2020 was 673.

OPPORTUNITIES AND RISKS

Risk Management

Principles of risk management

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

Structure of the risk management system

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

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

Risk management

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

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

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

Internal Audit and compliance

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

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

Risks and opportunities resulting from the sales market

Risks resulting from the health discussion about sugar

Sugar is part of a balanced diet. Despite this, sugar is presented in the public debate as a cause of being overweight, obese and, as a consequence, of diseases such as diabetes and caries. The critical discussion about sugar continues outside Europe as well. For some time now, food manufacturers have been working to reduce the sugar content in their food. The sugar industry is mainly focusing on the continued elaboration of concrete measures and their implementation within the scope of the national reduction and innovation strategy launched by the German Federal Ministry of Food, Agriculture and Consumer Protection in 2018. Academic studies show that reducing sugar consumption does not necessarily lead people to lose weight. There are many reasons why people are overweight, which is why focusing on individual ingredients such as sugar distracts from the bigger

picture. Ultimately, whether or not a person becomes overweight is all about the balance between calorie intake and calorie expenditure, and about how aware individuals are of their own calorie intake.

To bring more clarity to the debate, Nordzucker works continuously at national and EU level, as well as through the activities of industry associations, to provide information about the effect of sugar in food and about the links between sugar and a balanced diet as part of a healthy lifestyle.

Opportunities resulting from the demand for sugar

Population growth and greater prosperity, particularly in the emerging markets, are behind a long-term global trend towards higher sugar consumption. This increase in demand will support the long-term sugar price trend. Sugar consumption is expected to pick up in Asia, Africa and Latin America in particular. Worldwide, the growth rate is expected to average around 1.4 per cent per year. This growth trend is also making investments in sugar outside Europe attractive. With our equity investment in the Australian sugar producer MSL, Nordzucker entered the field of cane sugar production in 2019. This commitment provides us with access to a substantial share of the Australian market as well as the South-East Asian market.

Risks resulting from the political situation in the EU

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

As far as the EU sugar producers are concerned, developments in the future relationship between the EU and the United Kingdom remain highly significant. On 31 January 2020, the United Kingdom withdrew from the European Union. The EU and the United Kingdom signed a trade and cooperation agreement (TCA) on 31 December 2020. Following its withdrawal from the EU-28, the United Kingdom now has the status of a "third country". This means that, under the terms of this agreement, sugar exports to the United Kingdom are tariff-free. However, deliveries nonetheless involve formalities at the border which may result in significant delays.

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

In Germany, the peak equalization scheme for the reimbursement of energy and electricity tax ended in 2020. The purpose of the peak equalization scheme in Germany was to relieve the burden associated with increased electricity and energy tax obligations for energy-intensive companies competing at an international level. As an eligible company, Nordzucker is able to claim tax reimbursements for the 2020/2021 financial year. However, in the absence of a follow-up scheme there is legal uncertainty over whether future relief will be available in the years to come.

Risks resulting from the EU's free trade agreements

Free trade agreements are becoming more and more important for the European Union. Trade agreements signed in recent years with Moldova, Georgia, Ukraine, Japan, Singapore, Vietnam, Colombia, Peru, Panama, Ecuador, South Africa, Canada, and the states of Central America, provide for annual duty-free sugar imports of more than 500,000 tonnes. The trade and cooperation agreement concluded between the EU and the United Kingdom due to Brexit provides for the tariff- and quota-free import of sugar from the United Kingdom, subject to strict rules of origin. Trade agreements including further sugar import quotas for the benefit of Mexico and the MERCOSUR countries have already been negotiated. However, these agreements have not yet come into effect. These negotiated agreements mean additional import quotas (220,000 tonnes) for white and raw sugar.

Negotiations are under way with further countries such as Australia, Chile, Indonesia, New Zealand and Tunisia. The negotiations with the USA over a transatlantic free trade agreement are currently frozen, and the same is true of negotiations with India, Malaysia, Morocco, the Philippines, Thailand and the Gulf countries.

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

Risks resulting from procurement and production

Risks associated with securing raw materials

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

For this reason, Nordzucker has launched its "Smart Beet" initiative. Based on monitoring of the approval situation for pesticides and other risks to sugar beet cultivation, information is continuously compiled on projects and experimental approaches, with the aim of examining how sugar beet can be grown in the changing environment. The company is continuing its development of digital solutions for cultivation advice to provide additional support.

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

Nordzucker signs supply contracts with the beet growers well in advance in order to secure the necessary volumes. Various supply contract models have been offered to beet growers in all of the Group's countries for 2021/2022, and in some cases also for 2022/2023 and thereafter. These have varying contractual terms; there are fixed-price

models as well as models with prices linked to sugar prices/EBIT. In the Group, the contract quantities offered for the 2021/2022 campaign were almost completely subscribed.

In the 2020 growing year, the yellowing virus transmitted by aphids spread extensively in some beet growing areas in Europe and resulted in significant declines in yields of up to 30 per cent in some cases. Due to the ban on the use of neonicotinoid active substances on seeds, no pesticide with a similar level of effectiveness was available to protect the beet against the aphids which transmit the virus. As well as Belgium, France, Croatia, Austria, Romania, Spain, the Czech Republic and Hungary, in some cases Nordzucker beet growers in Germany, Denmark, Finland, Lithuania, Poland and Slovakia also have access to treated seeds for the coming growing season. If use of the appropriate active substances is not possible, the yellowing virus will continue to represent a high risk for yields.

In Australia, sugar cane is purchased on the basis of rolling cultivation contracts. Unlike sugar beet, sugar cane is not newly cultivated based on an annual planting decision but over a cycle of five to eight years. There are two key risks with regard to the availability of raw material. Poor weather conditions in the short term (mainly drought or cyclones) may result in reduced yields, and the amount of land under cultivation may decline in the long term when farms are used for other purposes (e.g. cattle husbandry).

Risks resulting from energy prices

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

Risks resulting from the supplier portfolio

Coronavirus has also affected procurement processes. Suppliers' credit checks have been stepped up, since an increased incidence of supplier insolvencies is likely due to the pandemic and a precise tracking system for the supply chains for strategic materials has been introduced due to the heightened level of demand and longer delivery times.

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

One strategic objective of procurement is to diversify sources of supply. The goal is to have the choice between several different suppliers for all critical goods and services to be purchased. If necessary, new, additional suppliers must be identified and evaluated and must undergo the necessary training.

Risks due to the interruption of production

It is important to be able to ensure continuous sugar production and delivery during the campaign. Due to the coronavirus pandemic, additional risks apply such as suppliers' supply bottlenecks, logistics problems and heightened risks of personnel shortages. A flexible response was necessary in response to the first two points and duly paid off.

The latter risks were reduced by means of a comprehensive hygiene concept which was introduced early on. The level of infection at Nordzucker was thus very low, and maintenance and the campaign were completed as scheduled even during the pandemic.

Environmental risks

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

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

Risks resulting from additional costs for CO₂ certificates

Within the scope of the European emissions trading system, every year Nordzucker requires certificates to cover the annual CO₂ emissions it uses to generate energy. In case of a shortfall, the missing certificates must be purchased. Europe's political goal is to achieve greenhouse gas neutrality in the European Union by 2050. A 55 per cent cut in greenhouse gas emissions in the European Union by 2030 was agreed as an interim target. EU member state heads and governments reached agreement on this target in December 2019. Nordzucker is supporting this goal by investing in energy efficiency as well as optimizing its operations. This continuous reduction will not only bring down the number of CO₂ certificates that must be purchased and the associated cost, but also make Nordzucker's business more sustainable.

60 per cent of these production-related emissions have already been reduced compared with 1990 levels. In future, Nordzucker will continue to work on cutting its CO₂ emissions even further by making additional investments in energy efficiency and the optimization of its operations.

Risks resulting from product safety

As a food and animal feed producer, Nordzucker is responsible for the quality and safety of its products. Regular inspections and product safety certifications are carried out to identify risks at an early stage. All of Nordzucker's locations are certified to the independent Foundation for Food Safety Certification's production safety standard (FSSC 22000), which is benchmarked by the Global Food Safety Initiative (GFSI).

Due to differences in local rules, some sites are also certified in accordance with the following standards: occupational health and safety management system ISO 45001, energy management system DIN EN ISO 50001, German biofuels sustainability by-law (Biokraft-NachV – the transposition of Directive 2009/28/EC to promote the use of energy from renewable sources), the IFS (International Featured Standards) food standard and the GMP+ standard for the production of animal feed ingredients. Organic and fair-trade products are grown and inspected in line with the applicable legislation and standards.

In addition, social criteria as defined by the Sedex Members Ethical Trade Audit (SMETA) are assessed by independent auditors.

Legal risks

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

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

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

Risks and opportunities resulting from information technology

Risks resulting from digitalization

Risks resulting from digitalization include an outside attack that disrupts the production or delivery of sugar. Furthermore, valuable data could be stolen.

New risks also applied as a result of the current coronavirus pandemic situation and the related rapid changeover to working from home. The extended provision of a secure technical infrastructure was one of the biggest challenges.

Moreover, the general IT security situation has further deteriorated over the past twelve months. While the volume of SPAM emails which Nordzucker receives has declined by 5 per cent, in the same period the number of emails containing malware has risen by 10 per cent. Overall, 320 attempts to execute malware were detected on PC workstations, all of which were successfully terminated by our protection mechanisms before any damage could occur. Our firewalls detect various daily attacks that are external in origin and which our systems reliably defend against. Through the awareness training started in the past year, we are helping to significantly increase employees' level of awareness and sensitivity to attack attempts made by email or over the telephone.

In order to limit further risks, to achieve an appropriate level of protection for the company and to ensure system availability, Nordzucker is investing in further security measures, such as the use of state-of-the-art techniques to detect the latest threats. Statutory requirements (German IT Security Act, UP KRITIS) must also be taken into account. By playing an active role on committees in industry working groups, Nordzucker can help shape the general framework for this subject.

Internal and external reviews continuously verify the effectiveness of measures, making all IT services as safe and reliable as possible.

Opportunities resulting from digitalization

Digitalization is opening up new opportunities for Nordzucker. Due to the coronavirus pandemic in particular, we have seen how well placed we already are in the field of digitalization. At the start of the pandemic, we were able to offer all of our members of staff for whom it was appropriate to work from home the opportunity to do so within the space of just a few days, and we enabled them to work together and hold meetings virtually using Microsoft Teams. All of our activities continued seamlessly.

By evaluating the data that is already available in a digitally connected system, Nordzucker can pick up on any deviations more quickly and take targeted measures to manage them. Nordzucker is already making use of these technical opportunities by means of its AgriLog system – which optimizes the supply chain from the grower to the plant – as well as digital consultancy solutions for growers, and will continue to expand these in future. Our Green Database project was initiated with the goal of capturing the full range of agricultural data arising within the scope of a farm management system in a new system. In a further step, further tools are then used in order to enable predictions and analyses, so as to achieve optimal results for our growers.

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

Financial risks

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

Risks resulting from defaults

Receivables from customers or other contractual parties may become unrecoverable. This default risk has been aggravated by the coronavirus pandemic and the resulting economic fluctuations in particular. Strongly volatile raw materials prices might also place a very significant strain on some of Nordzucker's customers.

To limit this risk, on the basis of standard guidelines Nordzucker establishes a customer's credit standing before signing a contract and generally takes out commercial credit insurance.

Currency, raw materials and interest rate risks

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

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

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

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

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

As of 28 February 2021, the Nordzucker Group had exchange rate derivatives with a notional net volume of EUR 303.0 million (as of 29 February 2020: EUR 236.4 million). At the end of the financial year, hedging transactions with a nominal net volume of EUR 82.4 million (as of 29 February 2020: EUR 38.6 million) had been entered into for derivatives, in order to hedge against price movements for raw materials as well as emissions certificates (CO₂certificates).

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

The EU regulation EMIR introduced standards for reporting obligations for trading in derivatives. Nordzucker implemented these as of the statutory effective date on 14 February 2014. The statutory reporting obligations have been met in full in the 2020/2021 financial year. The related audit required by Sec. 20 paragraph 1 of the German Securities Trading Act (WpHG) was conducted again in 2020/2021 without any objections.

Liquidity risks

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

Risks resulting from the supply of credit

Nordzucker has a syndicated loan which expires in October 2023. All the syndicate banks have good credit ratings and are very dependable. In the opinion of the company management, the medium-term syndicated loan to finance its operating business, together with its available liquidity, covers the company's capital needs. From a current perspective, its cash reserves and unused lines of credit enable Nordzucker to meet its payment obligations at all times.

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

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

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

Risks resulting from financial investments

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

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

Overall picture for risks and opportunities

Following the expiry of the sugar market regime on 30 September 2017, competition in the EU sugar market has significantly intensified. Sugar prices within the EU are now considerably more dependent on the global sugar market, which means that the volatility of sugar prices on the world market also affects EU sugar prices. Extended periods with relatively low sugar prices are possible, as was the case between mid-2017 and late 2019. Low sugar prices pose the greatest risk regarding achievement of the Nordzucker Group's profitability targets. The coronavirus pandemic may affect the level of demand for sugar, due to the extensive closure of the restaurant industry. There is also an increased risk of staff falling sick or being required to quarantine and of the unavailability of suppliers as well as customers' illiquidity. Increasing prohibitions on the use of pesticides may reduce sugar beet yields, which could result in higher purchasing costs. Furthermore, due to the energy required to produce sugar, the price and availability of energy as well as statutory regulations in the field of climate protection could affect the profitability of the Nordzucker Group.

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

make administrative processes more efficient. The company is preparing for future challenges by means of an “excellence” initiative which it has launched in the areas of production, the supply chain, agriculture, sales and sustainability.

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

OUTLOOK

At EUR 81.0 million, the overall result (EBIT) for the 2020/2021 financial year was significantly better than expected. The main factors behind this development were the savings measures that were realized earlier than expected, the higher price level and positive effects from the sale of by-products and bioethanol.

Due to these positive trends, at 4.9 per cent the EBIT margin indicator was within the target range of four to six per cent. The equity ratio once again substantially exceeded the target of 30.0 per cent. The capital structure remains solid. At the end of the year, the company has cash and cash equivalents of around EUR 125.7 million as well as an available credit line of EUR 300 million for its current business activities.

The outlook for the 2021/2022 financial year remains uncertain due to the ongoing coronavirus pandemic and the related restrictions. As a food producer, Nordzucker is part of the systemically relevant infrastructure.

The company is thus living up to the responsibility which this entails and has implemented comprehensive health protection measures at all of its locations. The sowing of beet, the thick juice campaigns, and the maintenance and investment measures at the plants are taking place as planned to safeguard the 2021/2022 campaign.

With regard to the level of demand for sugar, a slight decline in the volume of sales is currently apparent in the food industry and the retail sector, due to the effects of the pandemic.

The price of sugar on the world market has increased, analogously to the trend for mineral oil prices. The determining factor will be how lasting an impact the coronavirus pandemic has on the global sugar balance. We assume that world market prices will continue to recover compared with the present situation. The fundamental prospects for global production and consumption continue to indicate this.

In Australia, where rising sugar prices more directly impact business, lasting price changes will strengthen earnings. Having entered into hedging transactions in good time for a portion of its sales, MSL has locked in the high price level on the world market and is thus expecting this to have a positive financial impact on its earnings.

Since a large portion of the company's sales agreements have been hedged and other basic operating conditions are likewise secure, based on the information available to us at the present time our income and liquidity planning for the current 2021/2022 financial year remains positive. We do not therefore expect to draw on our existing syndicated loan-based line of credit by the end of the coming financial year. MSL finances its business via its own lines of credit, which it intends to make use of.

Overall, we consider that we are very well placed. Despite the upheavals as a result of the coronavirus pandemic, due to the contracts which have already been concluded and the continued systematic implementation of our cost and optimization measures the outlook for the 2021/2022 financial year points to a clearly positive

result which will be slightly in excess of the current level. We may assume that the Group's financial position will remain stable and its liquidity safeguarded and that we will achieve an EBIT margin within our target range.

The company will continue to implement its measures envisaged for the adjustment of its management and its cost structure. In addition, further long-term measures will be initiated throughout the value chain. Our "excellence" initiative covers multiple-year initiatives in the areas of agriculture, production, the supply chain, sales and sustainability. The positive effects associated with these measures will significantly contribute to the company's earnings and systematically strengthen Nordzucker's competitiveness.

As well as our core business and our investment in Australia, we are looking very closely at the possibilities for the development of further sugar and beet products. With a view to potential further consolidation in the EU sugar market, Nordzucker is watching the market very closely and is prepared to avail itself of opportunities that arise.

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

Braunschweig, Germany, 10 May 2021

The Executive Board



Dr Lars Gorissen



Axel Aumüller



Alexander Bott

Consolidated financial statements 2020/2021

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Consolidated income statement

for the period from 1 March 2020 to 28 February 2021 for Nordzucker AG, Braunschweig, Germany

in EUR thousands	Further details in Note	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Revenues	8	1,670,373	1,438,470
Production costs	9	-1,332,266	-1,205,660
Gross profit		338,107	232,810
Sales costs	10	-181,575	-176,919
Administrative expenses	11	-70,543	-70,716
Other income	12	34,556	32,343
Other expenses	13	-39,516	-32,161
Operating result (EBIT)		81,029	-14,643
Financial income	14	9,600	3,517
Financial expenses	15	-11,568	-9,552
Result from companies accounted for using the equity method	16	8,372	4,495
Earnings before taxes		87,432	-16,183
Income taxes	17	-21,468	774
Consolidated net income		65,964	-15,409
of which attributable to non-controlling interests		2,172	4
of which attributable to shareholders of the parent company		63,792	-15,413

Consolidated statement of comprehensive income

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Consolidated net income	65,964	-15,409
Remeasurement of defined benefit plans	5,556	-39,285
Deferred taxes on items of other comprehensive income not reclassified to the income statement	-1,500	11,147
Other comprehensive income from items not reclassified to the income statement	4,056	-28,138
Exchange differences on translating foreign operations	4,694	-4,955
Net result of cash flow hedges	-1,571	-5,346
Deferred taxes on items of other comprehensive income reclassified to the income statement	1,375	383
Other comprehensive income from items reclassified to the income statement	4,498	-9,918
Consolidated comprehensive income after taxes	74,518	-53,465
of which attributable to non-controlling interests	4,672	-1,662
of which attributable to shareholders of the parent company	69,846	-51,803

Consolidated cash flow statement

for the period from 1 March 2020 to 28 February 2021 for Nordzucker AG, Braunschweig, Germany

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Earnings before taxes	87,432	-16,183
Interest and similar income/expenses	8,921	8,161
Depreciation, amortization and impairment/reversals of impairment of non-current assets	77,129	74,241
Change in provisions	-852	-8,310
Change in inventories	-89,767	-71,823
Change in trade receivables	-5,902	-9,710
Change in trade payables	8,387	26,972
Change in other operating assets/liabilities	-44,170	-33,485
Gains/losses on the disposal of non-current assets	2,108	-1,398
Other non-cash expenses/income	799	-1,861
Interest received in the financial year	1,776	1,490
Interest paid in the financial year	-8,189	-5,027
Result from companies accounted for using the equity method	-8,372	-4,495
Taxes paid in the financial year	-10,375	1,707
Cash flow from operating activities	18,925	-39,722
Proceeds from the disposal of property, plant and equipment	388	7,761
Payments for investments in property, plant and equipment	-83,508	-104,836
Proceeds on disposal of intangible assets	586	19
Payments for investments in intangible assets	-2,169	-2,707
Proceeds from the disposal of financial assets	0	701
Proceeds from/payments for investments in financial assets	828	5,872
Payments from the acquisition of consolidated companies	0	-37,094
Cash flow from investing activities	-83,875	-130,284
Payments to shareholders (dividends)	0	-10
Borrowing	51,144	30,358
Repayments of financial liabilities	0	-30,815
Interest expenses	0	-272
Cash flow from financing activities	51,144	-739
Changes in cash and cash equivalents	-13,806	-170,744
Cash and cash equivalents at the beginning of the period	139,410	265,793
Change due to changes to group of consolidated companies	0	44,081
Effect of foreign exchange rate changes	101	280
Cash and cash equivalents at the end of the period	125,705	139,410

Consolidated balance sheet

as of 28 February 2021 for Nordzucker AG, Braunschweig, Germany

Assets in EUR thousands	Further details in Note	28/2/2021	29/2/2020
Non-current assets			
Fixed assets			
Intangible assets	21	17,244	18,401
Property, plant and equipment	22	973,425	956,599
Investment property	25	11,331	11,374
Financial investments	26		
Shares in companies accounted for using the equity method	26.1/26.2	59,486	54,796
Other financial investments	26.3	41,442	41,868
		100,928	96,664
		1,102,928	1,083,038
Receivables and other assets			
Financial assets	30	0	104
Other assets	31	873	168
		873	272
Deferred taxes	17	11,060	16,706
		1,114,861	1,100,016
Current assets			
Inventories	27		
Raw materials, consumables and supplies		61,109	64,735
Work in progress		53,813	57,137
Finished goods and merchandise		703,146	603,190
		818,068	725,062
Receivables and other assets			
Trade receivables	28	187,133	180,551
Receivables from related parties	29	1,538	459
Current income tax receivables	17	4,876	4,661
Financial assets	30	18,370	9,315
Other assets	31	70,741	59,716
		282,658	254,702
Cash and cash equivalents		125,705	139,410
Current assets		1,226,431	1,119,174
Assets held for sale	32	15	0
		1,226,446	1,119,174
		2,341,307	2,219,190

Consolidated balance sheet

as of 28 February 2021 for Nordzucker AG, Braunschweig, Germany

Equity and liabilities in EUR thousands	Further details in Note	28/2/2021	29/2/2020
Equity	33		
Subscribed capital	33.1	123,651	123,651
Capital reserves	33.2	127,035	127,035
Retained earnings	33.3	1,155,418	1,092,477
Other comprehensive income	33.4	-103,657	-112,252
Equity attributable to shareholders of the parent company		1,302,447	1,230,911
Non-controlling interests	33.5	52,853	48,650
		1,355,300	1,279,561
Non-current provisions and liabilities			
Provisions for pensions and similar obligations	34	263,317	265,482
Other provisions	35	79,952	81,749
Financial liabilities	36	87,071	70,112
Liabilities towards related parties	38	5,560	5,500
Other financial liabilities	39	17,878	19,910
Other liabilities	40	4,198	4,764
Deferred taxes	17	53,243	47,238
		511,219	494,755
Current provisions and liabilities			
Provisions for pensions and similar obligations	34	11,815	11,515
Other provisions	35	44,710	41,290
Financial liabilities	36	62,616	25,267
Current income tax liabilities	17	14,206	14,333
Trade payables third party	37	263,291	253,248
Liabilities towards related parties	38	31,038	37,246
Other financial liabilities	39	11,001	25,262
Other liabilities	40	36,111	36,713
		474,788	444,874
		2,341,307	2,219,190

Consolidated statement of changes in shareholders' equity

for Nordzucker AG, Braunschweig, Germany

in EUR thousands	Subscribed capital	Capital reserves	Retained earnings	Other comprehensive income	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
As of 1/3/2019	123,651	127,035	1,106,038	-75,862	1,280,862	34,933	1,315,795
Net income	/	/	-15,413	/	-15,413	4	-15,409
Other comprehensive income	/	/	/	-36,390	-36,390	-1,666	-38,056
Consolidated comprehensive income	/	/	-15,413	-36,390	-51,803	-1,662	-53,465
Dividend payment	/	/	/	/	/	-10	-10
Other	/	/	1,852	/	1,852	15,389	17,241
As of 29/2/2020	123,651	127,035	1,092,477	-112,252	1,230,911	48,650	1,279,561
As of 1/3/2020	123,651	127,035	1,092,477	-112,252	1,230,911	48,650	1,279,561
Net income	/	/	63,792	/	63,792	2,172	65,964
Other comprehensive income	/	/	/	6,054	6,054	2,500	8,554
Consolidated comprehensive income	/	/	63,792	6,054	69,846	4,673	74,517
Dividend payment	/	/	/	/	/	/	/
Other	/	/	-851	2,541	1,690	-468	1,222
As of 28/2/2021	123,651	127,035	1,155,418	-103,657	1,302,447	52,853	1,355,300

Notes to the consolidated financial statements

GENERAL REMARKS

1. Accounting principles

The consolidated financial statements as of 28 February 2021 for Nordzucker AG (Küchenstrasse 9, 38100 Braunschweig, Germany) have been prepared pursuant to Sec. 315e HGB (German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU IFRS) and with supplementary provisions of German commercial law. The financial statements comply fully with EU IFRS and give a true and fair view of the net assets, financial and earnings position of Nordzucker AG and its consolidated subsidiaries, joint ventures and associated companies (hereinafter referred to as the “Nordzucker Group” or “Group”).

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

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

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

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

The consolidated financial statements will be approved by the Executive Board of Nordzucker AG on 26 May 2021 for presentation to the Supervisory Board.

2. Consolidation and acquisitions

2.1. PRINCIPLES OF CONSOLIDATION

a. Subsidiaries

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

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

b. Joint ventures

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

c. Associated companies

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

2.2. GROUP OF CONSOLIDATED COMPANIES

The consolidated companies in the Nordzucker Group are as follows:

GROUP OF CONSOLIDATED COMPANIES

	28/2/2021	29/2/2020
Fully consolidated subsidiaries		
Domestic	5	6
Foreign	15	15
Companies accounted for using the equity method		
Domestic	3	3
Foreign	4	4

Due to a merger within the Group, the total number of fully consolidated subsidiaries decreased by one by comparison with the previous year.

The list of shareholdings can be found at the end of these Notes.

The reporting date for all fully consolidated subsidiaries included in the consolidated financial statements is 28 February 2021. The reporting date for all companies accounted for using the equity method and included in the consolidated financial statements is 31 December 2020.

2.3. SIGNIFICANT SUBSIDIARIES

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

SIGNIFICANT SUBSIDIARIES

	Group stake
Norddeutsche Flüssigzucker GmbH & Co. KG, (Braunschweig, Germany)	70 %
Nordzucker GmbH & Co. KG, (Braunschweig, Germany)	100 %
Nordzucker Services GmbH & Co. KG, (Braunschweig, Germany)	100 %
Nordzucker Polska S.A., (Opalenica, Poland)	99.87 %
Považský Cukor a.s., (Trenčianska Teplá, Slovakia)	96.80 %
Nordic Sugar A/S, (Copenhagen, Denmark)	100 %
Nordic Sugar AB, (Malmö, Sweden)	100 %
AB Nordic Sugar Kedainiai (Kedainiai, Lithuania)	70.60 %
UAB Nordzucker Business Services (Kaunas, Lithuania)	100 %
Sucros Oy (Säkylä, Finland)	80 %
Suomen Sokeri Oy (Kantvik, Finland)	80 %
Nordzucker Ireland Limited (Dublin, Ireland)	100 %
Mackay Sugar Limited (Mackay, Australia)	70 %

The following business partnerships structured as limited partnerships (GmbH & Co. KG) and the following corporations structured as limited liability companies (GmbH)

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

are exempt from the respective obligations in accordance with the regulations applicable to corporations pursuant to Sec. 264 (3) and Sec. 264b HGB (German Commercial Code).

2.4. CONVERSION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

EXCHANGE RATES OF FOREIGN CURRENCIES

	Average rate		Closing rate	
	2020/2021	2019/2020	28/2/2021	29/2/2020
for EUR 1.00				
Polish Zloty (PLN)	4.48399	4.29088	4.51860	4.32590
Danish Krone (DKK)	7.44867	7.46736	7.43610	7.47230
Swedish Krone (SEK)	10.41061	10.61918	10.13880	10.67380
Australian Dollar (AUD)	1.64598	1.61634	1.56050	1.68750

3. Explanation of accounting policies

3.1. GENERAL PRINCIPLES

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

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

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

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

3.2. RECOGNITION OF INCOME AND EXPENSE

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

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

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

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

3.3. INTANGIBLE ASSETS INCLUDING GOODWILL

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

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

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

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

INTANGIBLE ASSETS

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

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

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

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

calculating the recoverable amount is the value in use of the cash-generating unit. This is determined by means of a present-value model, taking into account cash flows that are based on internal targets. Reversals of the impairment or increases in the carrying amount of goodwill cannot be carried out later.

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

3.4. PROPERTY, PLANT AND EQUIPMENT

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

The following useful lives are assumed for depreciation:

PROPERTY, PLANT AND EQUIPMENT

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

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

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

3.5. INVESTMENT PROPERTY

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

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

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

Since its acquisition of MSL on 31 July 2019, the Nordzucker Group has consisted of the cash-generating units "Sugar from beet" and "Sugar from sugar cane".

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

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

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

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

3.7. INVESTMENT SUBSIDIES

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

3.8. LEASES

The Nordzucker Group has concluded lease contracts for its technical equipment, machinery, vehicles and operating and office equipment. Prior to the initial application of IFRS 16, the Group classified its leases (as lessee) as either finance leases or operating leases at the time when the contract was concluded.

When initially applying IFRS 16, the Group recorded and assessed all of its leases (with the exception of short-term leases and leases whose underlying asset has a low value) using a single model.

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

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

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

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

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

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

exercise or not to exercise these options. Adjustments to the contract term as a result of changed expectations to exercise or not to exercise these options are only made if they are sufficiently safe.

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

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

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

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

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

3.9. FINANCIAL INSTRUMENTS

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

include contractual obligations to deliver cash and cash equivalents or other financial assets. These include, for example, borrowing, current loans, trade payables and derivative financial instruments with negative fair value.

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

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

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

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

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

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

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

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

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

3.10. ASSETS HELD FOR SALE

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

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

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

3.11. INVENTORIES

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

The net realizable value is the estimated selling price in the ordinary course of business less estimated costs to completion and estimated costs to sell. The net realizable value of work in progress is inferred from the net realizable value of finished goods and services less the outstanding costs of completion. Semi-finished goods from production processes are measured using their respective full cost approach. Indirect costs are allocated according to production volume and the amount of production work carried out in-house. If the recognized amounts for finished products and goods are higher than fair value as of the end of the reporting period, the inventories are written down to net realizable value. Sugar stocks from internal production presented under

finished products are recognized at cost, unless they are recognized at a lower net realizable value in view of sales opportunities. Costs include production costs, indirect costs attributable to the Production department and straight-line depreciation for wear and tear.

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

3.12. PROVISIONS FOR PENSIONS

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

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

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

3.13. OTHER PROVISIONS

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

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

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

3.14. DEFERRED TAXES

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

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

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

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

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

3.15. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

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

Within the Nordzucker Group, interest rate derivatives are always integrated into hedging relationships. Stand-alone derivatives are also used to hedge currency and market risks (see also note 44.4.d.).

3.16. TRANSACTIONS AND ITEMS IN FOREIGN CURRENCIES

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

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

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

3.17. BUSINESS COMBINATIONS

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

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

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

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

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

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

4. Discretionary decisions and estimation uncertainty

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

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

5. Accounting standards to be applied for the first time

IASB Pronouncements (published on)	Title	Applicable for financial years on or after
Transposed into European law		
Amendments to IFRS standards (29 March 2018)	Amendments to References to the Conceptual Framework in IFRS Standards	01/01/2020
Amendments to IAS 1 and IAS 8 (31 October 2018)	Definition of Material	01/01/2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (26 September 2019)	Interest Rate Benchmark Reform	01/01/2020
Amendments to IFRS 3 (22 October 2018)	Definition of a Business	01/01/2020
Amendment to IFRS 16 (28 May 2020)	Covid 19- Related Rent Concessions	01/06/2020

New or amended standards which came into force in the current reporting period have not had any effect on the Group's accounting policies or given rise to a need for retrospective adjustments.

6. Accounting standards not applied

No IFRS were adopted before the mandatory adoption date in the consolidated financial statements of Nordzucker AG as of 28 February 2021. The pronouncements will be adopted for the first time when their application becomes mandatory. The application of IFRS requires the European Union (EU) to first grant approval (endorsement process), which in some cases is still outstanding.

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

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

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

IASB Pronouncements (published on)	Title	Applicable for financial years on or after
Transposed into European law		
Amendments to IFRS 9, IAS 39 and IFRS 7 Phase 2 (27 August 2020)	Interest Rate Benchmark Reform	01/01/2021
Not yet transposed into European law		
IFRS 17 incl. Amendments to IFRS 17 (18 May 2017 and 25 June 2020)	Insurance Contracts	01/01/2023
Amendments to IAS 1 (23 January 2020 and 15 July 2020)	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	01/01/2023
Amendments to IFRS standards (14 May 2020)	<ul style="list-style-type: none"> • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018 – 2020 	01/01/2022
Amendments to IAS 1 (12 February 2021)	Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	01/01/2023
Amendments to IAS 8 (12 February 2021)	Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	01/01/2023

The amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform – Phase 2) address issues which may affect financial reporting during the interest rate benchmark reform, including changes to contractual cash flows or hedging relationships which may result due to the replacement of an interest rate benchmark with an

alternative interest rate benchmark. These amendments represent phase 2 of the discussions on interest rate benchmark reform, following publication of the amendments in phase 1.

IFRS 17 “Insurance Contracts” will replace IFRS 4 and provide the basis for accounting for insurance contracts.

The amendments to IAS 1 “Presentation for Financial Statements: Classification of Liabilities as Current or Non-current” clarify the classification of liabilities. A liability will be classified as non-current if, at the end of the reporting period, the company has the right to defer settlement for a period of at least twelve months from the reporting date. Whether or not the company actually intends to exercise this option is immaterial. If these rights are contingent upon certain conditions, classification will depend on whether these are fulfilled as of the reporting date. If the liability is subject to such conditions that, due to an option held by the counterparty, it may be settled by issuing equity instruments, this will not affect its classification as current or non-current if the option is classified as an equity instrument and is separately shown as an equity component of a compound financial instrument according to IAS 32.

The amendments to IAS 16 relate to proceeds arising from the disposal of articles produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management.

The amendments to IFRS 3 replaced a reference to the conceptual framework.

The amendments to IAS 37 prescribe in relation to onerous contracts that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Towards the end of the reporting period, the IASB published further amendments to IAS 1 which are intended to help in deciding which accounting policies to disclose in financial statements and issued amendments to IAS 8 to help entities to distinguish between accounting policies and accounting estimates.

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

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

Changes in accounting policies resulting from the first-time application of accounting standards (see Note 5) had no material effects on the presentation of the Nordzucker Group’s net assets, financial and earnings position.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

8. Revenues

Revenues are made up as follows:

REVENUES

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Products		
Sugar	1,341,295	1,147,831
Bioethanol	46,370	33,451
Animal feed and molasses	205,757	172,466
Other	76,951	84,722
Total	1,670,373	1,438,470
Proportion accounted for by MSL	212,484	114,477
Excluding MSL	1,457,889	1,323,993

Other revenues primarily include sales of merchandise.

9. Production costs

Production costs comprise the following:

PRODUCTION COSTS

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Cost of materials and services	-1,045,679	-943,858
Personnel expenses	-176,477	-156,731
Depreciation, amortization and impairment	-59,399	-58,515
Other expenses	-50,711	-46,556
Total	-1,332,266	-1,205,660
Proportion accounted for by MSL	-192,906	-100,746
Excluding MSL	-1,139,360	-1,104,914

10. Sales costs

Sales costs comprise the following:

SALES COSTS

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Freight	-74,142	-78,249
Rentals, land leasing and outside warehousing costs	-43,555	-38,249
Personnel expenses	-22,836	-23,659
Depreciation, amortization and impairment	-8,519	-7,963
Advertising	-5,689	-6,357
Sales commission	-1,849	-1,096
Other costs of sales	-24,985	-21,346
Total	-181,575	-176,919
Proportion accounted for by MSL	-9,156	-5,279
Excluding MSL	-172,419	-171,640

11. Administrative expenses

Administrative expenses are made up as follows:

ADMINISTRATIVE EXPENSES

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Personnel expenses	-45,898	-42,185
Consultancy fees	-6,623	-8,931
Fees and levies	-3,852	-4,074
Depreciation, amortization and impairment	-4,907	-6,553
Rentals and land leasing	-821	-823
Travel costs	-81	-1,144
Phone/communications	-931	-1,299
Other administrative expenses	-7,430	-5,707
Total	-70,543	-70,716
Proportion accounted for by MSL	-12,847	-9,290
Excluding MSL	-57,696	-61,426

Excluding MSL, administrative expenses were EUR 57,696 (61,426) thousand. This once again represented a decrease on the previous year, which was essentially due to the savings achieved as part of the ActNow! program.

12. Other income

Other income is made up as follows:

OTHER INCOME

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Insurance and other compensation for damages	169	2,131
Income from the reversal of provisions	5,377	8,706
Foreign exchange gains	19,927	10,839
Proceeds from the disposal of non-current assets	284	2,430
Reversals of impairments on receivables	62	59
Income from the reversal of investment subsidies, grants and other receivables	381	320
Rental and leasing income	455	445
Reversals of impairment of intangible assets as well as property, plant and equipment	73	0
Miscellaneous operating income	7,828	7,413
Total	34,556	32,343
Proportion accounted for by MSL	3,156	2,526
Excluding MSL	31,400	29,817

Currency gains and losses resulting from internal Group loan transactions and associated currency hedging transactions using currency forwards are presented in the income statement under “Other income” or “Other expenses”, without offsetting.

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

13. Other expenses

Other expenses are made up as follows:

OTHER EXPENSES

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Personnel expenses	-1,986	-1,499
Depreciation, amortization and impairment	-4,234	-850
Expenses from loss events	0	-4,048
Research and development	-1,662	-1,736
Foreign exchange losses	-21,880	-13,230
Losses from the disposal of non-current assets	-2,392	-1,033
Impairments on receivables	-142	-230
Expenses from additions to provisions	-1,115	-3,647
Miscellaneous operating expenses	-6,105	-5,888
Total	-39,516	-32,161
Proportion accounted for by MSL	0	-731
Excluding MSL	-39.516	-31.430

Currency gains and losses resulting from internal Group loan transactions and associated currency hedging transactions using currency forwards are presented in the income statement under “Other income” or “Other expenses”, without offsetting.

14. Financial income

Financial income is made up as follows:

FINANCIAL INCOME

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Income from other investments	995	0
Other interest and similar income	1,730	1,407
Interest income on bank balances	45	83
Other financial income	6,830	2,027
Total	9,600	3,517
Proportion accounted for by MSL	1,472	1,735
Excluding MSL	8,128	1,782

The income from other investments mainly comprises dividends from the financial investment Tereos TTD.

Other financial income comprises unrealized earnings from hedging transactions for the purchase of CO₂ certificates in the amount of EUR 5,673 thousand. Further information on net income from financial instruments can be found in Note 43.

15. Financial expenses

Financial expenses are made up as follows:

FINANCIAL EXPENSES

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Interest expense on provisions	-2,507	-4,376
Other interest and similar expenses	-1,350	-316
Interest expense from bank balances	-6,838	-4,984
Other financial expenses	-873	124
Total	-11,568	-9,552
Proportion accounted for by MSL	-6,192	-3,901
Excluding MSL	-5,376	-5,651

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

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

16. Result from companies accounted for using the equity method

The net income/loss from companies accounted for using the equity method rose by EUR 3,877 thousand compared with the previous reporting period. Companies accounted for using the equity method are shown in the statement of financial position under the item “Financial investments” (see Notes 26.1 and 26.2).

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

RESULT FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Ingolf Wessenberg & Co.AS, Oslo/Norway	0	3
NP Sweet A/S, Copenhagen/Denmark	0	-1
ATZU mbH & Co.KG, Hamburg/Germany	541	474
Sugar Australia JV, Yarraville/Australia	5,055	2,506
New Zealand Sugar Company Pty Ltd., Auckland/New Zealand	2,716	1,439
Oriana Shipping Co Pte Ltd., Singapore	60	74
Total	8,372	4,495

17. Income taxes

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

INCOME TAXES

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Current taxes		
Current domestic taxes	-4,854	-2,599
Current foreign taxes	-5,088	-1,276
	-9,942	-3,875
Deferred taxes		
Deferred domestic taxes	-8,355	1,936
Deferred foreign taxes	-3,171	2,713
	-11,526	4,649
Income taxes	-21,468	774

The current and deferred income tax expenses affecting previous years impacted net income in the amount of EUR 2,185 thousand.

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

TAX EXPENSE/TAX INCOME

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
IFRS net profit before income taxes	87,432	-16,183
Group tax rate	30.00%	30.00%
Expected tax expense (-)/ tax income (+)	-26,230	4,854
Tax rate variances	3,970	-34
Taxes for prior years	-2,185	-4,560
Tax-free income	381	687
Non-deductible expenses and permanent differences	-474	148
Impairment of deferred tax assets on tax loss carry-forwards	-124	-1,067
Use of tax loss carry-forwards for which no deferred tax assets have been established	2,616	555
Other effects	577	191
Tax expense/prev. yr.: tax income	-21,468	774

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

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

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

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

DEFERRED TAXES BY BALANCE SHEET ITEM

in EUR thousands	28/2/2021		29/2/2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	159	1,928	645	1,830
Property, plant and equipment	2,817	102,345	2,020	99,224
Inventories	2,540	7,447	2,171	6,912
Other assets	2,677	3,911	1,393	933
Pension provisions	46,017	0	46,804	0
Other provisions	1,300	1,255	5,114	255
Other liabilities	6,236	686	1,703	1,614
Deferred taxes on temporary differences	61,746	117,572	59,850	110,768
Deferred tax assets on tax loss carry-forwards	13,643	0	20,386	0
Gross amount	75,389	117,572	80,236	110,768
Offsetting	-64,329	-64,329	-63,530	-63,530
Balance sheet amount	11,060	53,243	16,706	47,238

The overall changes of EUR 11,651 (16,148) thousand in deferred taxes as of the reporting date as shown in the consolidated statement of financial position were recognized as an increase in tax expense in the amount of EUR 11,526 thousand (previous year: EUR 4,649 thousand increase in tax income), i.e. in the income statement. Moreover, tax expense in the amount of EUR 125 (11,530) thousand was recognized outside of profit or loss (i.e. in the statement of comprehensive income). Changes due to exchange rates are presented in the "Exchange differences on translating foreign operations" item.

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

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

CHANGES IN DEFERRED TAXES

in EUR thousands	1/3/2020–28/2/2021		1/3/2019–29/2/2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	-486	98	130	-84
Property, plant and equipment	796	3,121	-191	2
Inventories	369	535	108	655
Other assets	1,285	2,979	153	-734
Pension provisions	-787	0	10,707	184
Other provisions	-3,815	1,001	1,994	-19
Other liabilities	4,531	-930	271	-784
Deferred taxes on temporary differences	1,894	6,804	13,172	-780
Deferred tax assets on tax loss carry-forwards	-6,743	0	5,559	0
Total	-4,849	6,804	18,731	-780

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

In the financial year, no deferred tax assets were recognized for foreign tax loss carry-forwards of EUR 140,681 (132,157) thousand as no positive taxable income is expected in the near future. EUR 6,840 (8,786) thousand of the foreign loss carry-forwards is usable for a maximum of four years. Furthermore, no deferred tax assets were recognized for domestic tax loss carry-forwards of EUR 16,692 (16,948) thousand as no positive taxable income is expected in the near future.

No deferred tax assets were recognized for temporary differences on investments by subsidiaries of EUR 245,037 (345,205) thousand because the Nordzucker Group is able to control the timing of the reversal and the temporary differences will not be reversed in the foreseeable future.

18. Cost of materials and services

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

COST OF MATERIALS AND SERVICES

In EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Cost of raw materials, consumables and supplies and of purchased merchandise	-1,048,181	-921,987
Cost of purchased services	-98,201	-87,517
Total	-1,146,382	-1,009,504
Proportion accounted for by MSL	-169,538	-69,340
Excluding MSL	-976,844	-940,164

19. Personnel expenses

Personnel expenses are made up as follows:

PERSONNEL EXPENSES

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Wages and salaries	-211,766	-189,889
Social security contributions and other social expenses	-23,621	-23,530
Expenses for defined contribution plans	-11,452	-11,148
Expenses for defined benefit plans	-5,255	-4,399
Total	-252,094	-228,966
Proportion accounted for by MSL	-48,411	-28,543
Excluding MSL	-203,683	-200,423

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

Excluding MSL, personnel expenses amounted to EUR 203,683 (200,423) thousand, which was higher than the previous year's value. Savings achieved were more than outweighed by collective wage increases and salary adjustments.

In the reporting period, the Nordzucker Group had an average of 3,792 employees (previous year: 3,539 employees).

20. Depreciation, amortization and impairment

Depreciation, amortization and impairment are made up as follows:

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Depreciation or amortization of intangible assets, property, plant and equipment, and investment property	-73,371	-72,716
Impairment of intangible assets, property, plant and equipment, and investment property	-4,068	-1,525
Total	-77,439	-74,241
Proportion accounted for by MSL	-6,166	-3,536
Excluding MSL	-71,273	-70,705

This impairment has resulted from the closure of the Arlöv refinery plant in Sweden as well as the temporary shutdown of the refinery in Porkkala, Finland.

NOTES TO THE CONSOLIDATED BALANCE SHEET

21. Intangible assets

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

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

In the reporting period, research and development expenses of EUR 1,662 (1,736) thousand were recognized in the income statement. These expenses are attributed in full to the item "Other expenses"

22. Property, plant and equipment

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

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

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

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

As explained under Note 3.6., since the reporting period for the previous year the Nordzucker Group has consisted of two cash-generating units, "Sugar from beet" and "Sugar from cane".

As the Nordzucker Group does not recognize any goodwill or intangible assets with indefinite useful lives and there were no indications of impairment of assets at the reporting date, an impairment test was not performed.

24. Leases

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

The following table shows how the carrying amounts of rights of use developed between 1 March 2020 and 28 February 2021.

DEVELOPMENT OF RIGHTS OF USE IN THE FINANCIAL YEAR 2020/2021

in EUR thousands	Land and buildings	Technical plant and machinery	Other plant, operating and office equipment	Total
Carrying amounts 29/2/2020	3,864	2,839	3,063	9,766
Additions	3,964	0	3,813	7,777
Disposals	2	9	0	11
Depreciation, amortization and impairment	2,876	475	2,197	5,548
Other changes	43	5	18	66
Carrying amounts 28/2/2021	4,993	2,360	4,697	12,050

Depreciation, amortization and impairment does not include any impairment.

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

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

EXPENSES AND PAYMENTS FROM LEASE CONTRACTS

in EUR thousands	2020/2021
Amounts included in statement of cash flows:	
Total payments from lease contracts	3,164
Amounts included in the income statement:	
Depreciation, amortization and impairment	5,548
Interest expense on lease liabilities	396
Expense from short-term leases	9,904
Expense from leases of low-value assets	822
Expense from variable lease payments which have not been included in the measurement of the lease liabilities	13

The variable lease payments are immaterial for the Nordzucker Group.

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

25. Investment property

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

In the reporting period, rental income of EUR 308 (198) thousand was generated, offset by expenses of EUR 230 (93) thousand. There were also expenses of EUR 102 (101) thousand for which there was no corresponding rental income.

The fair value of the property is EUR 14,335 (13,563) thousand as of the end of the reporting period. The fair value was determined on the basis of internal estimates using comparable properties.

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

26. Financial investments

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

FINANCIAL INVESTMENTS

in EUR thousands	28/2/2021	29/2/2020
MEF Melasse-Extraktion Frellstedt GmbH, Frellstedt	2,400	2,400
August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG, Hamburg	4,651	4,608
August Töpfer Verwaltungs GmbH, Hamburg	25	25
Sugar Australia Pty Limited, Yarraville, Australia	26,638	24,061
New Zealand Sugar Company Pty Ltd., Auckland, New Zealand	23,680	21,503
Oriana Shipping Co Pte Ltd., Singapore	2,092	2,199
Total shares in companies accounted for using the equity method	59,486	54,796
Tereos TTD, a.s. (Dobruvice, Czech Republic)	19,663	19,663
Sugar Terminal Limited (Brisbane, Australia)	18,908	17,425
Racecourse Projects Pty Ltd. (Bamburgh, Australia)	1,551	1,435
Miscellaneous investments	1,320	3,346
Other investments	41,442	41,868
Total	100,928	96,664

26.1. JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

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

The following table shows the earnings and statement of financial position details for the main joint venture accounted for using the equity method and its inclusion in the Nordzucker Group.

EARNINGS INFORMATION SUGAR AUSTRALIA PTY LIMITED, YARRAVILLE/AUSTRALIA

in EUR thousands	2020/2021	2019/2020
Revenues	301,004	215,843
Income after taxes	20,222	9,892
Pro rata income after taxes	5,055	2,473
Pro rata comprehensive income after taxes	5,055	2,473

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

in EUR thousands	2020/2021	2019/2020
Non-current assets	102,531	93,156
Equity	106,556	96,245
Pro rata equity	26,639	24,061
Carrying amount	26,639	24,061

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

26.2. ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

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

The following table shows earnings and statement of financial position details for the Nordzucker Group's main associated company accounted for using the equity method.

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

in EUR thousands	2020/2021	2019/2020
Revenues	126,507	73,306
Income after taxes	10,862	7,161
Pro rata income after taxes	2,716	1,790
Pro rata comprehensive income after taxes	2,716	1,790

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

in EUR thousands	2020/2021	2019/2020
Non-current assets	43,765	42,713
Equity	94,717	86,013
Pro rata equity	23,680	21,503
Carrying amount	23,680	21,503

26.3. OTHER FINANCIAL INVESTMENTS

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

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

The Nordzucker Group received dividends of EUR 945 (0) thousand in the reporting year.

Fixed-asset movement schedule 2019/2020

for Nordzucker AG, Braunschweig, Germany

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

Fixed-asset movement schedule 2020/2021

for Nordzucker AG, Braunschweig, Germany

in EUR thousands	Cost or fair value							Accumulated depreciation, amortization and impairment								Carrying amounts		
	As of 1/3/2020	Currency effects	Changes to group of consoli- dated companies	Additions	Re- classifi- cations	Disposals	As of 28/2/2021	As of 1/3/2020	Currency effects	Changes to group of consoli- dated companies	Depre- ciation, amor- tization	Impair- ment	Reversals of impair- ment	Re- classifi- cations	Dis- posals	As of 28/2/2021	As of 28/2/2021	As of 29/2/2020
Intangible assets																		
Rights, patents and licences	548	1	0	0	0	0	549	-305	1	0	-27	0	0	0	0	-331	218	243
Internally generated intangible assets	2,265	0	0	0	0	0	2,265	-2,265	0	0	0	0	0	0	0	-2,265	0	0
Other intangible assets	45,596	-50	0	1,811	144	-3,005	44,496	-27,638	49	0	-2,950	0	0	0	2,466	-28,073	16,423	17,958
Advance payments made	200	0	0	582	-132	-47	603	0	0	0	0	0	0	0	0	0	603	200
	48,609	-49	0	2,393	12	-3,052	47,913	-30,208	50	0	-2,977	0	0	0	2,466	-30,669	17,244	18,401
Property, plant and equipment	0							0										
Land and buildings	530,966	1,786	0	7,630	1,967	-2,666	539,683	-298,320	-781	0	-11,093	-989	0	-87	2,452	-308,818	230,865	232,646
Technical plant and machinery	2,060,541	20,684	0	37,346	9,861	-31,183	2,097,249	-1,377,911	-13,662	0	-54,162	-2,911	0	0	30,375	-1,418,271	678,978	682,630
Other plant, operating and office equipment	55,328	139	0	6,834	237	-4,501	58,037	-39,576	-79	0	-5,069	-5	0	0	4,389	-40,340	17,697	15,752
Advance payments made and plant under construction	25,574	1,139	0	31,698	-11,496	-951	45,964	-3	1	0	0	-77	0		0	-79	45,885	25,571
	2,672,409	23,748	0	83,508	569	-39,301	2,740,933	-1,715,810	-14,521	0	-70,324	-3,982	0	-87	37,216	-1,767,508	973,425	956,599
Investment property	12,913	573	0	0	-595	0	12,891	-1,539	-26	0	-70	-86	73	88	0	-1,560	11,331	11,374
	2,733,931	24,272	0	85,901	-14	-42,353	2,801,737	-1,747,557	-14,497	0	-73,371	-4,068	73	1	39,682	-1,799,737	1,002,000	986,374
Financial investments	123,383	5,422	-21,138	1,971	0	0	109,638	-26,719	0	18,010	0	0	0	-1	0	-8,710	100,928	96,664
	2,857,314	29,694	-21,138	87,872	-14	-42,353	2,911,375	-1,774,276	-14,497	18,010	-73,371	-4,068	73	0	39,682	-1,808,447	1,102,928	1,083,038

27. Inventories

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

Write-downs and reversals of write-downs (write-backs) on inventories are recognized under "Production costs" in the income statement. Write-downs of EUR 2,423 (3,976) thousand and write-backs of EUR 579 (2,398) thousand were recognized in the reporting year. The write-downs in the reporting period and previous period primarily related to valuation adjustments made to reflect the net realizable value of manufactured sugar.

EUR 84,313 thousand was pledged as collateral for liabilities in the reporting year. The inventories pledged for liabilities relate to collateral provided by MSL as part of the existing syndicated loan.

28. Trade receivables

Trade receivables are made up as follows:

TRADE RECEIVABLES

in EUR thousands	28/2/2021	29/2/2020
Gross trade receivables	188,670	182,068
Impairment loss on trade receivables	-1,537	-1,517
Balance sheet amount	187,133	180,551

Information on the default risks and the age structure of trade receivables is given in Note 44.2. Expenses for impairments on trade receivables in the reporting period amounted to EUR 142 (230) thousand.

29. Receivables from related parties

Receivables from related parties are made up as follows:

RECEIVABLES FROM RELATED PARTIES

in EUR thousands	28/2/2021	29/2/2020
Receivables from joint ventures	1,536	451
Receivables from other related parties	2	8
Balance sheet amount	1,538	459

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

30. Financial assets

Financial assets are made up as follows:

FINANCIAL ASSETS

in EUR thousands	28/2/2021	29/2/2020
Positive fair value of derivative financial instruments	12,821	4,281
Claims for damages	14	12
Other financial assets	5,535	5,126
Balance sheet amount	18,370	9,419

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

31. Other assets

Other assets are made up as follows:

OTHER ASSETS

in EUR thousands	28/2/2021	29/2/2020
Receivables from other taxes	25,115	24,669
Miscellaneous other assets	46,499	35,215
Balance sheet amount	71,614	59,884

Miscellaneous other assets in the reporting period primarily relate to purchased CO₂ certificates in the amount of EUR 33,889 thousand.

32. Assets held for sale

Assets classified as held for sale in accordance with IFRS 5 consist of land and buildings with a carrying amount of EUR 15 (0) thousand. The income, expenses and cash flows in the reporting period and comparative period generated by these assets were not material.

33. Equity

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

Capital management at the Nordzucker Group is founded on a strong equity base and a sustainable dividend policy in order to secure current operations on the one hand and to enable a reasonable dividend yield for the shareholders on the other. As of 28 February 2021, the equity ratio came to 57.9 per cent (previous year: 57.7 per cent). The Executive Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.60 per qualifying share for the 2020/2021 financial year. Please see Note 51 for further information.

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

33.1. SUBSCRIBED CAPITAL

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

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

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

33.2. CAPITAL RESERVES

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

33.3. RETAINED EARNINGS

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

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

33.4. OTHER COMPREHENSIVE INCOME

Other comprehensive income is made up as follows:

OTHER COMPREHENSIVE INCOME

in EUR thousands	28/2/2021	29/2/2020
Remeasurement of defined benefit plans	-109,964	-114,440
Exchange differences on translating foreign operations	10,499	6,183
Net result of cash flow hedges	-4,192	-3,995
Balance sheet amount	-103,657	-112,252

33.5. NON-CONTROLLING INTERESTS

Non-controlling interests exist in the following companies:

NON-CONTROLLING INTERESTS

in EUR thousands	28/2/2021	29/2/2020
Sucros Oy	20,361	20,014
AB Nordic Sugar Kėdainiai	11,004	10,224
Norddeutsche Flüssigzucker Verwaltungs-GmbH	15	0
Norddeutsche Flüssigzucker GmbH & Co. KG	2,590	2,436
Považský Cukor a.s.	1,192	1,193
Nordzucker Polska S.A.	152	145
Mackay Sugar Limited	17,539	14,639
Balance sheet amount	52,853	48,650

Total net income for the period attributable to non-controlling interests amounting to EUR 2,172 thousand primarily relates to Mackay Sugar Limited (EUR 869 thousand), AB Nordic Sugar Kedainiai (EUR 845 thousand) and Sucros Oy (EUR 324 thousand).

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

34. Pension obligations

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

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

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

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

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

In the reporting period, the expenses for defined contribution plans amounted to EUR 11,452 (11,148) thousand.

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

FINANCIAL ASSUMPTIONS REGARDING PENSION OBLIGATIONS

	2020/2021 reporting period		2019/2020 comparative period	
	Domestic	Foreign	Domestic	Foreign
Discount rate	0.90 %	0.80 %	0.80 %	1.00 %
Salary increase	2.50 %	2.65 %	2.50 %	2.55 %
Pension increase	1.50 %	1.70 %	1.50 %	1.60 %

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

With a discount rate of 0.9 (0.8) per cent, the duration of domestic obligations was 20.0 (20.9) years.

With a discount rate of 0.8 (1.00) per cent, the duration of foreign obligations was 14 (13) years.

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

SENSITIVITY ANALYSIS

		2020/2021 reporting period		2019/2020 comparative period	
		Domestic	Foreign	Domestic	Foreign
Discount rate	+0.5 %	-8.16 %	-7.40 %	-8.35 %	-7.46 %
	-0.5 %	9.39 %	8.28 %	9.63 %	-13.91 %
Salary increase	+0.5 %	0.19 %	1.87 %	0.38 %	0.27 %
	-0.5 %	-0.32 %	-1.69 %	-0.36 %	-5.77 %
Pension increase	+0.5 %	4.31 %	6.76 %	4.44 %	-8.96 %
	-0.5 %	-3.93 %	-6.20 %	-4.04 %	-1.46 %

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

CHANGE IN PENSION PROVISIONS

in EUR thousands	Defined benefit obligation			Plan assets			Net liability
	Domestic	Foreign	Total	Domestic	Foreign	Total	Total
As of 1/3/2019	243,389	40,681	284,070	42,823	4,372	47,195	236,875
Service cost	4,090	309	4,399	/	/	/	4,399
Interest expense/interest income	4,381	717	5,098	771	47	818	4,280
Other value changes	/	72	72	/	/	/	72
Total recognized on the income statement	8,471	1,098	9,569	771	47	818	8,751
Return on plan assets	/	/	/	8,874	603	9,477	-9,477
Actuarial gains/losses	44,627	4,135	48,762	/	/	/	48,762
Total remeasurements (not recorded in the income statement)	44,627	4,135	48,762	8,874	603	9,477	39,285
Payments made for reinsurance	/	/	/	701	103	804	-804
Reimbursements from reinsurance	/	/	/	-4,652	-677	-5,329	5,329
Pension payments made	-9,126	-2,609	-11,735	/	/	/	-11,735
Exchange rate differences and other adjustments	/	-704	-704	/	/	/	-704
As of 29/2/2020	287,361	42,601	329,962	48,517	4,448	52,965	276,997
Service cost	4,803	453	5,255	/	/	/	5,255
Interest expense/interest income	2,311	404	2,715	391	16	407	2,307
Other value changes	/	/	/	/	/	/	/
Total recognized on the income statement	7,114	857	7,970	391	16	407	7,563
Return on plan assets	/	/	/	-128	-59	-187	187
Actuarial gains/losses	-6,254	511	-5,743	/	/	/	-5,743
Total remeasurements (not recorded in the income statement)	-6,254	511	-5,743	-128	-59	-187	-5,556
Payments made for reinsurance	/	/	/	102	76	178	-178
Reimbursements from reinsurance	/	/	/	-4,196	-540	-4,736	4,736
Pension payments made	-9,019	-2,458	-11,477	/	/	/	-11,477
Exchange rate differences and other adjustments	/	-508	-508	/	-3,555	-3,555	3,047
As of 28/2/2021	279,201	41,002	320,203	44,686	385	45,072	275,132

Actuarial gains in the reporting period were primarily due to changes in the actuarial assumptions regarding the discount rate.

For the 2020/2021 reporting period, contributions to plan assets are expected to amount to EUR 576 (1,079) thousand.

35. Other provisions

Other provisions are made up as follows:

OTHER PROVISIONS

in EUR thousands	As of 29/2/2020	Currency effects	Additions/ reclassifica- tions	Usage	Reversal	As of 28/2/2021
Litigation risks and risk provisions	78,460	0	0	-2,461	-1,844	74,155
Staff-related provisions	31,239	571	2,346	-2,882	-1,648	29,626
Provisions for suppliers and customers	1,991	4	15,791	-8,884	-21	8,881
Miscellaneous other provisions	11,349	104	8,384	-5,973	-1,864	12,000
Balance sheet amount	123,039	679	26,521	-20,200	-5,377	124,662

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

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

Miscellaneous other provisions partly relate to recultivation obligations. The provision made for this includes the forecast expenses for the demolition of buildings and recultivation of land used for operations as well as demolition obligations at former production sites. Miscellaneous other provisions were made in the reporting period for outstanding invoices and other anticipated expenses.

36. Financial liabilities

Financial liabilities are made up as follows:

FINANCIAL LIABILITIES

in EUR thousands	28/2/2021	29/2/2020
Liabilities to banks	136,820	85,675
Liabilities from leases	12,868	9,704
of which long-term	8,357	6,485
of which short-term	4,511	3,219
Balance sheet amount	149,687	95,379

A loan was taken out in the year under review for an initial period of three years, in order to secure the Nordzucker Group's access to liquidity. The syndicated loan is available to fund short-term operating business and includes a revolving credit for EUR 300,000 thousand, none of which was used in the reporting period.

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

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

37. Trade payables

Trade payables are made up as follows:

TRADE PAYABLES

in EUR thousands	28/2/2021	29/2/2020
Liabilities towards raw material suppliers	155,776	137,354
Other trade payables	107,515	115,894
Balance sheet amount	263,291	253,248

38. Liabilities towards related parties

Liabilities towards related parties are made up as follows:

LIABILITIES TOWARDS RELATED PARTIES

in EUR thousands	28/2/2021	29/2/2020
Liabilities towards joint ventures	5,570	5,570
Liabilities towards other related parties	31,028	37,176
Balance sheet amount	36,598	42,746

39. Other financial liabilities

Other financial liabilities are made up as follows:

OTHER FINANCIAL LIABILITIES

in EUR thousands	28/2/2021	29/2/2020
Negative fair value of derivative financial instruments	10,331	9,149
Miscellaneous financial liabilities	18,548	36,023
Balance sheet amount	28,879	45,172

40. Other liabilities

Other liabilities are made up as follows:

OTHER LIABILITIES

in EUR thousands	28/2/2021	29/2/2020
Outstanding social security contributions	16,159	16,515
Investment grants, subsidies and other support payments	4,370	4,674
Deferrals	2,099	4,236
Advance payments received for orders	82	114
Miscellaneous other liabilities	17,599	15,938
Balance sheet amount	40,309	41,477

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

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

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

41. Components of cash and cash equivalents

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

42. Other disclosures regarding the cash flow statement

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

OTHER DISCLOSURES

43. Other disclosures on financial instruments

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

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

in EUR thousands	Carrying amount 28/2/2021	Measurement in accordance with IFRS 9			Measurement in accordance with IFRS 16	No category Fair value
		FA_AC ¹ Amortized cost	FA_FVOCI ² Fair value not recorded in profit or loss	FA_FVPL/ FL_FVPL ³ Fair value recorded in profit or loss		
Non-current assets						
Other financial investments	41,442	20,493	20,949	0	/	0
Financial assets	0	0	0	0	/	0
Current assets						
Trade receivables	187,133	187,133	/	/	/	/
Receivables from related parties	1,538	1,538	/	/	/	/
Financial assets	18,370	14		12,770		5,586
Cash and cash equivalents	125,705	125,705	/	/	/	/
Non-current liabilities						
Financial liabilities	87,071	/	/	/	/	/
Liabilities to banks	78,714	78,714	0	0		
Lease liabilities	8,357	0	0	0	8,357	0
Liabilities towards related parties	5,560	5,560	0	0	0	0
Other financial liabilities	17,878	17,878	0	0	0	0
Current liabilities						
Financial liabilities	62,616	0	0	0	0	0
Liabilities to banks	58,106	58,106	0	0	0	0
Lease liabilities	4,511	0	0	0	4,511	0
Trade payables	263,291	263,291	0	0	0	0
Liabilities towards related parties	31,038	31,038	0	0	0	0
Other financial liabilities	11,001	695	0	10,306	0	0
Total assets	374,188	334,883	20,949	12,770	0	5,586
Total liabilities	478,456	455,282	0	10,306	12,868	0

1) Measurement category "Financial assets measured at amortized cost" and "Financial liabilities measured at amortized cost".

2) Measurement category "Financial assets measured at fair value through other comprehensive income".

3) Measurement category "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss".

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

1) In accordance with IFRS 7.29(d), the fair value of lease liabilities has not been indicated from the 2019/2020 financial year onwards.

2) Measurement category "Financial assets measured at amortized cost" and "Financial liabilities measured at amortized cost".

3) Measurement category "Financial assets measured at fair value through other comprehensive income".

4) Measurement category "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss".

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

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

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

NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS

in EUR thousands	1/3/2020 – 28/2/2021	1/3/2019 – 29/2/2020
Financial assets measured at amortized cost (FA_AC)	-304	-1,155
Financial assets measured at fair value through other comprehensive income (FA_FVOCI)	9,366	4,495
Financial assets/liabilities measured at fair value through profit or loss (FA_FVPL/FL_FVPL)	18,371	1,440
Financial liabilities measured at amortized cost (FL_AC)	-8,189	-5,299
Total	19,244	-519

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

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

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

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

Within the income statement, the ‘Financial income’ or ‘Financial expenses’ item includes interest income of EUR 1,730 (1,407) thousand and interest expense of EUR 1,351 (316) thousand from financial instruments not measured at fair value through profit and loss.

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

44. Risk management

44.1. GENERAL REMARKS

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

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

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

44.2. DEFAULT RISK

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

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

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

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

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

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

44.3. LIQUIDITY RISK

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

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

PAYMENTS FROM FINANCIAL INSTRUMENTS BY REMAINING TERM

in EUR thousands	Carrying amount	Gross inflow/ outflow	Remaining term of up to one year	Remaining term of one to five years	Remaining term of more than five years
As of 28/2/2021					
Financial liabilities	149,687	-149,688	-62,616	-85,402	-1,670
Liabilities to banks	136,820	-136,820	-58,105	-78,715	0
Lease liabilities	12,868	-12,868	-4,511	-6,687	-1,670
Trade payables	263,291	-263,291	-263,291	0	0
Other financial liabilities, liabilities towards related parties	55,171	-55,171	-31,733	-23,438	0
Derivative financial liabilities	10,306	-10,306	-10,306	0	0
Derivative financial assets	-12,821	12,821	12,821	0	0
Total	465,634	-465,635	-355,125	-108,840	-1,670
As of 29/2/2020					
Financial liabilities	95,379	-95,379	-25,394	-68,464	-1,521
Liabilities to banks	85,675	-85,675	-22,049	-63,626	0
Lease liabilities	9,704	-9,704	-3,345	-4,838	-1,521
Trade payables	253,248	-253,248	-253,248	0	0
Other financial liabilities, liabilities towards related parties	82,307	-82,415	-57,005	-25,410	0
Derivative financial liabilities	5,611	-5,611	-5,611	0	0
Derivative financial assets	-4,177	4,177	4,177	0	0
Total	432,368	-432,476	-337,081	-93,874	-1,521

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

44.4. MARKET RISKS

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

a. Exchange rate risk

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

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

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

Foreign currency positions in Danish Krone are only exposed to an insignificant exchange rate risk, as the country is part of the European Union's exchange rate mechanism. The exchange rate risk from foreign currency positions in US Dollars is also insignificant as the amounts are minor and are hedged directly.

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

b. Interest rate risk

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

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

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

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

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

c. Commodity risk

As a result of its business activities, the Nordzucker Group is exposed to various price risks for commodities. These primarily relate to world market prices for sugar, energy sources and the related CO₂ emissions.

d. Hedging activities

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

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

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

In addition to the natural hedge approach for Poland and Sweden, the gross positions are hedged to reduce exchange rate risk. Exchange rate risks are also hedged by means of appropriate derivatives such as currency futures – including for periods of less than a year. At the end of the reporting period, these derivatives had positive fair values totalling EUR 2,633 (1,748) thousand and negative fair values totalling EUR 7,077 (184) thousand.

At MSL, derivative financial instruments are primarily used for the purpose of hedging risks. Unless otherwise stated, hedge accounting is used for all derivative financial instruments. In the remainder of the Nordzucker Group, hedge accounting has been used for derivative financial instruments which serve to hedge risks resulting from fluctuations in the price of sugar since this financial year. In the case of hedge accounting, an economic relationship is established between the transaction being hedged (underlying transaction) and the hedging instrument (derivative) in order to assess the hedging relationship and effectiveness. The effectiveness is measured at the beginning and then on a regular basis as required. This is done by designating a single hedging instrument or a combination of hedging instruments as a cash flow hedge in order to compensate for changes in the underlying transaction's cash

flows. The nominal amount of the hedging instrument corresponds to that of the underlying transaction, and the cash flows match the dates unless otherwise stated. Changes in the values of the derivative financial instruments are offset with the changes in the fair values or with the underlying transaction's cash flows and, unless otherwise stated, have a hedging ratio of 100% when the hedges are structured.

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

In order to protect its consolidated net income for the period against raw material price fluctuations, exchange rate movements and price trends for emission rights, the Nordzucker Group has designated future purchases of emission rights and raw materials as underlying transactions for cash flow hedging purposes. The hedging instruments used are corresponding forward transactions on commodities and currency futures which, at the end of the reporting period, had positive fair values totalling EUR 9,202 (2,429) thousand and negative fair values totalling EUR 8,699 (7,660) thousand. During the reporting period, a loss after deferred taxes of EUR 4,152 (income of 57) thousand was recognized outside of profit or loss (i.e. in other comprehensive income in the statement of comprehensive income). Expense of EUR 2,483 (income of 1,669) thousand was also withdrawn from other comprehensive income in the statement of comprehensive income and deducted from the cost of inventories. Due to sales of these inventories, in the period under review an amount of EUR 797 (–504) thousand was recognized under “Production costs” in the income statement, thus increasing expenses. At the end of the reporting period, hedging relationships resulted in income of EUR 403 thousand (expense of 2,459) thousand) which was recognized outside of profit or loss. Income of EUR 703 (1,809) thousand was recognized in the income statement as ineffective components of hedging relationships in the reporting period.

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

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

45. Related party transactions

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

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

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

RELATED PARTY TRANSACTIONS

in EUR thousands	28/2/2021	29/2/2020
Statement of financial position		
Receivables from related parties	1,538	459
Liabilities towards related parties	36,598	42,746
Income statement		
Services provided to related parties	44	129
Net financial result	8,372	4,495

In the period under review, receivables from related parties in the amount of EUR 1,538 (459) thousand were owed mainly by August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG.

Of the liabilities towards related parties in the reporting period, EUR 11,115 thousand was owed to Nordzucker Holding AG, Braunschweig, and EUR 18,227 thousand to Union Zucker Südhannover GmbH, Nordstemmen. Of the liabilities towards related parties in the comparative period, EUR 12,663 thousand was owed to Nordzucker Holding AG, Braunschweig, EUR 3,418 thousand to SWEETGREDIENTS GmbH & Co. KG, Nordstemmen, EUR 5,570 thousand to MEF Melasse-Extraktion Frellstedt GmbH, Frellstedt, and EUR 19,519 thousand to Union Zucker Südhannover GmbH, Nordstemmen.

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

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

46. Contingent liabilities

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

47. Other financial obligations and contingent receivables

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

OTHER FINANCIAL OBLIGATIONS

in EUR thousands	28/2/2021	29/2/2020
Purchase commitments for property, plant and equipment	32,342	30,826
Purchase commitments for intangible assets	2,871	613
Queensland subsidy	4,229	4,229
Total	39,442	35,668

48. Auditors' fees

Companies in the Nordzucker Group purchased services for EUR 370 (360) thousand from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, in connection with the statutory audit of financial statements for the Nordzucker Group and Nordzucker AG, as well as tax advisory services for EUR 0 (5) thousand and other services for EUR 29 (60) thousand.

49. Supervisory Board and Executive Board

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

SUPERVISORY BOARD

Shareholder representatives

Jochen Johannes Juister,
Farmer, Nordhastedt
Chairman

Helmut Bleckwenn,
Farmer, Garmissen
Deputy Chairman

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

Friedrich Christoph Heins,
Farmer, Uehrde

Eckard Hinrichs,
Farmer, Wrestedt-Wieren
(since 7 October 2020)

Rainer Knackstedt,
Farmer, Dedeleben
(until 7 October 2020)

Dr Carin-Martina Tröltzsch,
Corteva Agriscience, Managing Director
of Strategic Business Development Europe,
Bad Homburg v.d. Höhe

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

Alexander Heidebroek
Farmer, Gevensleben

Bernd Schliephacke
Farmer, Rohrsheim

Henrik Madsen,
Chief Executive Officer of
Hauptgenossenschaft Nord AG, Kiel

Employee representatives

Sigrun Krussmann,
Laboratory Technician, Seelze
Deputy Chairwoman

Steffen Blümel,
Energy Facility Electrician, Uelzen

Ulf Gabriel,
Electrician, Banteln

Olaf Joern,
Mechatronics Engineer, Uelzen

Matthias Kranz,
Human Resources Administrator, Groß Schwülper

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

EXECUTIVE BOARD

Dr Lars Gorissen,
Braunschweig, Chief Executive Officer

Axel Aumüller,
Braunschweig, Chief Operating Officer

Erik Bertelsen (until 28 February 2021),
Braunschweig, Chief Marketing Officer

Alexander Bott,
Düsseldorf, Chief Financial Officer

50. Remuneration report

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

50.1. REMUNERATION OF THE EXECUTIVE BOARD

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

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

The total remuneration of Executive Board members includes monetary payments, benefit commitments and other commitments such as the provision of a company car. The monetary remuneration components consist of a fixed basic annual salary, paid in twelve equal monthly instalments, as well as a variable earnings and performance-related payment. The variable portion, plus any special remuneration, can be up to a maximum of 50 per cent of total compensation (total compensation is made up of the fixed basic annual salary and the variable remuneration, as well as any special remuneration). Since the 2016/2017 reporting period, the variable remuneration paid to Executive Board members has been calculated based on a one-year observation period and taking key indicators that are relevant for control purposes into account. The Executive Board's variable remuneration for the 2020/2021 financial year was once again based on the successful implementation of earnings contributions resulting from sustainable savings in the Group. The variable remuneration components are no longer measured on the basis of several years following the modification of the remuneration system as of 1 March 2016.

This results in the following remuneration for individual members of the Executive Board for the 2020/2021 reporting period and for the 2019/2020 comparative period:

REMUNERATION OF EXECUTIVE BOARD MEMBERS 2020/2021

in EUR	Cash payments		Pensions	Other*	Total
	Fixed salary	Variable annual bonus			
Dr Lars Gorissen	610,000	168,440	125,000	19,922	923,362
Axel Aumüller	575,000	147,385	125,000	13,913	861,298
Erik Bertelsen	475,000	147,385	125,000	21,980	769,365
Alexander Bott	425,000	147,385	125,000	15,896	713,281
Total	2,085,000	610,595	500,000	71,711	3,267,306

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

REMUNERATION OF EXECUTIVE BOARD MEMBERS 2019/2020

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

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

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

Former Executive Board members received pension payments of EUR 850 (856) thousand. Nordzucker AG recognized provisions of EUR 11,627 (12,455) thousand for pension commitments to former Executive Board members.

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

50.2. REMUNERATION OF THE SUPERVISORY BOARD

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

The remuneration of the Supervisory Board is defined in Sec. 12 of the Articles of Association of Nordzucker AG.

In accordance with these rules, members of the Supervisory Board receive a fixed salary of EUR 18,000 and a dividend-related payment of EUR 90 for every EUR 0.01 of dividend paid out per share on average over the past three years. Subject to approval at the Annual General Meeting, the dividend for the 2020/2021 reporting period will be EUR 0.60 per share (2019/2020 reporting period: EUR 0.00; 2018/2019 reporting period: EUR 0.00). The amount of variable remuneration is limited to the amount of one fixed salary. The Chairman of the Supervisory Board receives 2.5 times the total of fixed and variable remuneration for an ordinary member, the Deputy Chairman and the Chairmen of the committees each receive 1.4 times the remuneration of an ordinary member, and committee members receive 1.2 times the remuneration of an ordinary member. If a member of the Supervisory Board occupies more than one of these positions, the increased rate of remuneration only applies once. In addition, every member of the Supervisory Board receives an attendance fee of EUR 300 for attending each meeting of the Supervisory Board and its committees. A maximum of two meetings per day can be remunerated.

Subject to the approval of the dividend proposal at the Annual General Meeting, the following payments will be made for the 2020/2021 reporting period:

REMUNERATION OF SUPERVISORY BOARD MEMBERS 2020/2021

Figures in EUR	Fixed remuneration*	Variable remuneration*	Total	Factor	Pro rata	Total remuneration	Attendance fee*	Total	Total previous year
Jochen Johannes Juister (CEO)	18,000.00	1,800.00	19,800.00	2.5	365/365	49,500.00	7,200.00	56,700.00	59,400.00
Helmut Bleckwenn (Deputy Chairman)	18,000.00	1,800.00	19,800.00	1.4	365/365	27,720.00	7,200.00	34,920.00	35,040.00
Sigrun Krussmann (Deputy Chairwoman)	18,000.00	1,800.00	19,800.00	1.4	365/365	27,720.00	6,000.00	33,720.00	33,840.00
Steffen Blümel	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	2,700.00	26,460.00	29,220.00
Dr Karl-Heinz Engel	18,000.00	1,800.00	19,800.00	1.0	365/365	19,800.00	1,500.00	21,300.00	23,700.00
Ulf Gabriel	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	2,700.00	26,460.00	29,520.00
Alexander Heidebroek	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	4,500.00	28,260.00	29,220.00
Friedrich Christoph Heins	18,000.00	1,800.00	19,800.00	1.4	365/365	27,720.00	4,500.00	32,220.00	34,140.00
Eckhard Hinrichs	18,000.00	1,800.00	19,800.00	1.0	144/365	7,811.51	600.00	8,411.51	0.00
Olaf Joern	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	2,700.00	26,460.00	29,520.00
Rainer Knackstedt	18,000.00	1,800.00	19,800.00	1.0	221/365	11,988.49	900.00	12,888.49	23,700.00
Matthias Kranz	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	4,800.00	28,560.00	28,620.00
Henrik Madsen	18,000.00	1,800.00	19,800.00	1.0	365/365	19,800.00	1,500.00	21,300.00	15,536.07
Bernd Schliephacke	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	4,800.00	28,560.00	28,920.00
Dr Carin-Martina Tröltzsch	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	2,700.00	26,460.00	29,220.00
Grit Worsch	18,000.00	1,800.00	19,800.00	1.2	365/365	23,760.00	5,400.00	29,160.00	29,220.00
Total						382,140	59,700	441,840	458,816

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

Furthermore, the members of the Supervisory Board are reimbursed for all out-of-pocket expenses incurred in the exercise of their duties as well as for the VAT payable on their remuneration and on the reimbursed expenses. The total amount of these reimbursements, including VAT, was EUR 11 (15) thousand.

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

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

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

As of 28 February 2021, members of the Supervisory Board and related parties held under 1 per cent of the issued share capital of Nordzucker AG. The shares bear no relation to the remuneration of the Supervisory Board.

50.4. OTHER

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

51. Dividend proposal

The dividends that can be distributed to shareholders are defined in the German Stock Corporation Act (AktG) as the net distributable profit as determined under German commercial law and disclosed in the annual financial statements of Nordzucker AG. The annual financial statements of Nordzucker AG for the 2020/2021 reporting period show a net distributable profit of EUR 28,980 thousand. The Executive Board proposes to use EUR 28,980,780 (representing a dividend of EUR 0.60 per qualifying share) for the payment of a dividend for the 2020/2021 reporting period (previous year: no dividend).

52. Events after the reporting period

No significant events occurred after the reporting period.

Braunschweig, Germany, 10 May 2021

The Executive Board



Dr Lars Gorissen



Axel Aumüller



Alexander Bott

LIST OF INVESTMENTS

of Nordzucker AG, Braunschweig, as of 28 February 2021	Shortened form	Shareholding		
		direct	indirect	
		%	%	via companies
Consolidated subsidiaries				
Norddeutsche Flüssigzucker GmbH & Co. KG (Braunschweig, Germany)	NFZ KG	70 %		
Norddeutsche Flüssigzucker Verwaltungs-GmbH (Braunschweig, Germany)	NFZ GmbH	70 %		
Nordzucker GmbH & Co. KG (Braunschweig, Germany)	NZ KG	100 %		
Nordzucker Services GmbH & Co. KG (Braunschweig, Germany)	NZ Services KG	100 %		
Nordzucker Polska S.A. (Opalenica, Poland)	NZ Polska	99.87 %		
Považský Cukor a.s. (Trencianska Tepla, Slovakia)	Povazsky	96.801 %		
Nordic Sugar Holding A/S (Copenhagen, Denmark)	NSH AS	100 %		
Nordic Sugar A/S (Copenhagen, Denmark)	NS AS		100 %	NSH AS
Titoconcerto AB (Malmö, Sweden)	Titoconcerto		100 %	NSH AS
Nordic Sugar AB (Malmö, Sweden)	NS AB		100 %	Titoconcerto
AB Nordic Sugar Kėdainiai (Kėdainiai, Lithuania)	NS Kėdainiai		70.6 %	NS AS
UAB Nordzucker Business Services (Kaunas, Lithuania)	NBS	100 %		
Nordic Sugar Oy (Kantvik, Finland)	NS Oy		100 %	NS AS
Sucros Oy (Säkylä, Finland)	Sucros Oy		80 %	NS Oy
Suomen Sokeri Oy (Kantvik, Finland)	Suomen Oy		80 %	Sucros Oy
Nordzucker Ireland Limited (Dublin, Ireland)	NZ Ireland	100 %		
Nordzucker Cane Sugar Holding GmbH (Braunschweig, Germany)	NZCS	100 %		
Mackay Sugar Ltd. (Mackay, Australia)	MSL	70 %		NZCS
Queensland Commodity Service Pty Ltd. (Mackay, Australia)	QCS		70 %	MSL
Mackay Commodity Trading Pty Ltd. (Mackay, Australia)	MCS		70 %	MSL
Joint ventures accounted for using the equity method				
MEF Melasse-Extraktion Frellstedt GmbH (Frellstedt, Germany)	MEF		50 %	NZ KG
Norddeutsche Zucker-Raffinerie Gesellschaft mit beschränkter Haftung (Frellstedt, Germany)	NZR		50 %	NZ KG
Sugar Australia Pty Ltd. (Yarraville, Australia)	Sugar Aust		17.5 %	MSL
Sugar Australia JV (Yarraville, Australia)	Sugar Aust		17.5 %	MSL
Associated companies accounted for using the equity method				
August Töpfer Zuckerhandels-gesellschaft mbH & Co. KG (Hamburg, Germany)	ATZU	25 %		
New Zealand Sugar Company Pty Ltd. (Auckland, New Zealand)	NZSC		17.5 %	MSL
Oriana Shipping Co Pte Ltd. (Singapore)	Oriana		17.5 %	MSL

	Shortened form	Shareholding		
		direct	indirect	
		%	%	via companies
Non-consolidated subsidiaries				
NORDZUCKER Verwaltungs-GmbH (Braunschweig, Germany)	NZ GmbH		100%	NZ KG
NZ Zweite Vermögensverwaltungsgesellschaft mbH (Braunschweig, Germany)	NZ 2. VVG	100%		
Nordzucker Services Verwaltungs-GmbH (Braunschweig, Germany)	NZ Services GmbH	100%		
Nordic Sugar SIA (Riga, Latvia)	NS SIA		100%	NS AS
Associated companies not accounted for using the equity method				
August Töpfer Verwaltungs GmbH (Hamburg, Germany)	ATV	25 %		
Other non-consolidated investments				
Tereos TTD, a.s. (Dobruška, Czech Republic)	TTD	35.38 %		
Tropical Cubes Co. Ltd. (Morcellement St André, Mauritius)	TC		12.5 %	ATZU
C.I. Food Colombia S.A.S. (Yumbo, Colombia)	CIF		12.5 %	ATZU
H.S.T. Hamburg Sugar Terminal GmbH & Co. KG (Hamburg, Germany)	HST		16.67%	ATZU
Verwaltungsgesellschaft H.S.T. Hamburg Sugar Terminal mbH (Hamburg, Germany)	VHST		16.67%	ATZU
Racecourse Projects Pty Ltd. (Burrumbidgee, Australia)			3.78%	MSL
Sugar Terminal Limited (Brisbane, Australia)			6,37%	MSL

Report by the Supervisory Board of Nordzucker AG for the 2020/2021 financial year



Jochen Johannes Juister
Chairman of the Supervisory Board

Dear shareholders,

Nordzucker AG can look back on an encouraging financial year. As a result, following the lack of dividend payments in the past two years, the Supervisory Board and the Executive Board will be proposing the distribution of a dividend of EUR 0.60 per share at the Annual General Meeting – this means that you, our shareholders, will once again receive an adequate return on your capital employed, allowing you to participate in the positive earnings achieved in the financial year under review.

Strongly fluctuating prices, the continuing transformation of the company due to the changes in the market environment and the course of business in Australia shaped the intense debates which unfolded in the past financial year. The presentations at each meeting of the Supervisory Board covered the measures implemented by the company to protect its staff against the coronavirus pandemic and the pandemic's effects on the company's business.

Following the coronavirus-related shock in the spring of 2020, which resulted in significant temporary price falls, sugar prices on the world market subsequently recovered in the months which followed.

Nordzucker is implementing extensive measures to tackle this price volatility as well as the additional challenges and risks following the expiry of the sugar market regime in September 2017. The Executive Board is therefore implementing a comprehensive transformation process with the support of the Supervisory Board aimed at leading Nordzucker into the future as a stable and profitable sugar company. Immediately following the end of the sugar market regime, in 2018 Nordzucker launched an extensive cost-reduction and optimization program to this end. The goal is to achieve effects with a total volume of EUR 65 million for the company's core business by the 2022/2023 financial year, by means of savings and optimizations of business processes. Around EUR 55 million of this – which represents more than three quarters of the envisaged target – had already been achieved by the 2020/2021 financial year. In the area of administrative expenses, personnel and material costs have been reduced by around EUR 28 million. In addition, further positive effects with a volume of around EUR 27 million were generated in the areas of production and sales. The remaining 10 Million Euro will be generated by the end of the 2022/2023 financial year. The cost-cutting measures implemented are thus already providing a significant contribution to the company's success. The Supervisory Board is convinced that Nordzucker will further improve the company's competitiveness and thus beet cultivation in Europe on the basis of its systematic implementation of these measures.

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

In the 2020/2021 financial year, the Supervisory Board of Nordzucker AG carried out the duties required of it by statutes, the company's Articles of Association and rules of procedure, advising and monitoring the Executive Board of Nordzucker AG and the Nordzucker Group on an ongoing basis. This monitoring and advising took place in particular in meetings of the Supervisory Board and its committees.

The Supervisory Board held four ordinary meetings in the 2020/2021 financial year. Furthermore, the Supervisory Board held a constitutive meeting following the Annual General Meeting in October 2020. The Executive Board of Nordzucker AG also attended each of the meetings.

At its first ordinary meeting for the 2020/2021 financial year on 11 March 2020, the Supervisory Board adopted the budget for the Nordzucker Group for the 2020/2021 financial year and extensively discussed and debated the long-term financial planning. In addition, the Supervisory Board examined in detail the implementation of Nordzucker's strategy. The clear goal is to lead Nordzucker into the future as a stable sugar company which remains profitable.

The annual and consolidated financial statements for the 2019/2020 financial year and the dependent company report were the main subject of the second ordinary Supervisory Board meeting held on 25 May 2020 (financial statements meeting). After hearing the auditors' report and conducting an in-depth discussion, and on the recommendation of its Audit and Finance Committee, the Supervisory Board endorsed the annual financial statements of Nordzucker AG and approved the consolidated financial statements.

At this meeting, the Executive Board also reported in detail on the possible effects of the coronavirus pandemic on the course of business and the measures already implemented to protect the company's employees. As a result of the pandemic situation and the associated restrictions, the Supervisory Board discussed in great detail the format for the Annual General Meeting. Due to the continuing pandemic, the Supervisory Board decided to postpone the Annual General Meeting until October.

Regrettably, at this moment in time it was still not possible to hold an Annual General Meeting in person as normal. The Executive and Supervisory Boards therefore opted to hold a virtual Annual General Meeting, in order to protect the health of the company's shareholders and its employees as well as its Executive and Supervisory Boards.

At its third ordinary meeting held on 15 September 2020, the Supervisory Board, after careful consideration and on the recommendation of its Audit and Finance Committee, adopted the investment budget for the coming financial year as proposed by the Executive Board and was provided with detailed information on the long-term financial planning. In connection to this,

the Supervisory Board discussed potential measures to achieve a CO₂ reduction in the sugar production process – the move away from fossil fuels will require enormous efforts within the Group over the next few years.

The constitutive meeting of the Supervisory Board took place immediately after the Annual General Meeting on 7 October 2020 and focused on personnel matters. The members of the Supervisory Board unanimously re-elected Jochen Johannes Juister as the Chairman of the Supervisory Board. The shareholder representative Helmut Bleckwenn was confirmed as the Deputy Chairman. At the proposal of the employee representatives, Sigrun Krussmann was unanimously re-elected as a further Deputy Chairperson of the Supervisory Board.

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

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

The fourth ordinary Supervisory Board meeting was held on 18 November 2020. This meeting focused on the general course of business. In addition, the Supervisory Board re-elected Mr Alexander Bott as a member of the Executive Board. We are delighted that we were able to extend our successful working relationship with Alexander Bott. Under the leadership of its Chief Executive Officer, Dr Lars Gorissen, the company is thus well placed in order to cope with the challenges in the years which lie ahead of us.

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

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

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

In the 2020/2021 financial year, the Supervisory Board was not informed of any conflict of interest by any of its members – in particular of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners. The members of the Supervisory Board regularly participated in the meetings of the Supervisory Board and its committees.

Supervisory Board committees

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

The Supervisory Board Steering Committee met four times in the 2020/2021 financial year (on 11 May 2020, 31 August 2020, 4 November 2020 and on 23 February 2021). The Supervisory Board Executive Committee discussed the latest key topics concerning the Nordzucker Group, important projects and the company's strategic direction. In addition, the Steering Committee prepared the Supervisory Board meetings (including the dates and agenda items) and the Annual General Meeting.

The Audit and Finance Committee met four times in the 2020/2021 financial year (11 May 2020, 31 August 2020, 3 November 2020 and 23 February 2021). It looked regularly at the financial situation and forecasts, company funding, investment planning, quarterly and half-year results for the Nordzucker Group and Nordzucker AG, risk management, the internal control system and the effectiveness, the resources and the findings of the Internal Audit department. It also discussed in detail the potential effects of the coronavirus pandemic on Nordzucker AG and considered possible scenarios. In the presence of the auditors, the committee discussed the financial statements and management reports for the Nordzucker Group and Nordzucker AG for the 2019/2020 financial year. Its work also included appointing the auditors for the 2020/2021 financial year and verifying their independence. The examination and approval of the annual and consolidated financial statements and the dependent company report for the completed 2020/2021 financial year as well as the proposal for election of the auditors for the 2021/2022 financial year and the proposal to the Annual General Meeting for the appropriation of net profit were prepared at an additional meeting held outside the period under review on 11 May 2021.

The Human Resources Committee met nine times in the reporting period: on 20 April 2020, 12 May 2020, 24 July 2020, 4 September 2020, 3 November 2020, 1 December 2020, 14 January 2021, 23 January 2021 and on 25 February 2021. In addition, the Human Resources Committee held a two-day workshop in July 2020. In particular, it prepared the Supervisory Board's decisions on the variable remuneration paid to the Executive Board. The Executive Board's variable remuneration for the 2020/2021 financial year was based on the successful implementation of earnings contributions resulting from sustainable savings in the Group through the transformation process. The Supervisory Board considered in great detail the future structure of the Executive Board following the departure of the company's Chief Marketing Officer, Erik Bertelsen, on 1 March 2021. The Human Resources Committee is convinced that, with three members, the Executive Board is of the right size for our company on a long-term basis.

The Human Resources Committee also discussed the re-election of Mr Alexander Bott as a member of the Executive Board and recommended that the Supervisory Board pass a resolution to this effect.

The Nomination Committee met once in the 2020/2021 financial year. It discussed the skills profile for membership of the Supervisory Board as a shareholder representative and also made proposals to the full Supervisory Board on candidates for the chair and deputies as well as the Supervisory Board committees. It also advised the Annual General Meeting to elect Eckhard Hinrichs to the Supervisory Board and to re-elect Friedrich Christoph Heins and Dr Karl-Heinz Engel.

Annual financial statements 2020/2021

The Executive Board presented the Supervisory Board in good time with the annual financial statements of Nordzucker AG and the Group, the management report and the Group management report, the proposal for the use of profits and the report on related party transactions. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hanover, were selected as auditors at the Annual General Meeting on 7 October 2020 at the Supervisory Board's proposal. They audited the 2020/2021 annual financial statements for Nordzucker AG including the management report, the consolidated financial statements and the Group management report and issued each with an unqualified audit opinion. The auditors also audited the dependent company report, presented it to the Supervisory Board members in good time and gave the following opinion: "Following our professional audit and assessment we confirm that 1. the factual statements in the report are correct, and 2. that the consideration paid by the company in the transactions listed in the report was not inappropriately high."

The aforementioned documents were presented in good time, examined thoroughly by the Audit and Finance Committee and the Supervisory Board, and were discussed in detail in the presence of the auditors following their report on the main findings of the audit. The Supervisory Board concurs with the result of the audit and concluded from its own examination at the meeting held on 26 May 2021 that it has no objections to make. The Supervisory Board approved the annual and consolidated financial statements as prepared by the Executive Board; the annual financial statements are thereby adopted. The Supervisory Board also approved the Executive Board's proposal to use the net distributable profit to pay a dividend of EUR 0.60 per share for the 2020/2021 financial year.

Personnel matters

According to the company's Articles of Association, the Supervisory Board has 15 members. Of the 15 members of the Supervisory Board, ten are shareholders' representatives and five are employees elected in accordance with the German act on one-third employee representation. At the Annual General Meeting on 7 October 2020 the shareholders of Nordzucker AG elected Eckhard Hinrichs as a new member of the Supervisory Board. Rainer Knackstedt resigned from the Supervisory Board due to his reaching the age limit.

Erik Bertelsen, Chief Marketing Officer (CMO), left the company at his own request on 28 February 2021 following the expiry of his contract and has returned to his home country of Denmark. The Supervisory Board would like to thank Erik Bertelsen for his outstanding service to Nordzucker, not just as a member of the Executive Board but also in the positions of responsibility which he held in previous decades. Following the end of the sugar market regime, Erik Bertelsen consistently realigned the company's sales strategy and its customer orientation. We are very grateful to him for this and would like to wish him all the best for the future.

His duties were divided up between the other members of the Executive Board on 1 March 2021. The company's Chief Executive Officer (CEO), Dr Lars Gorissen, is now responsible for sales and marketing, while the Chief Operating Officer (COO), Axel Aumüller, is responsible for product management and the company's CFO, Alexander Bott, is now also in charge of the supply chain.

Finally, the Supervisory Board would like to thank the Executive Board and all the employees of the Nordzucker Group for their work in the 2020/2021 financial year.

Braunschweig, Germany, 26 May 2021



Jochen Johannes Juister
Chairman of the Supervisory Board

Independent auditor's reports

To Nordzucker AG

OPINIONS

We have audited the consolidated financial statements of Nordzucker AG, Braunschweig, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 28 February 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 March 2020 to 28 February 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Nordzucker AG for the fiscal year from 1 March 2020 to 28 February 2021.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 28 February 2021 and of its financial performance for the fiscal year from 1 March 2020 to 28 February 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

BASIS FOR THE OPINIONS

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Hannover, 11 May 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr Janze
Wirtschaftsprüfer
[German Public Auditor]

Schlüter
Wirtschaftsprüferin
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