Nordzucker

FUTURE

CREATED IN DIALOGUE

ANNUAL REPORT 2017 | 2018

FUTURE CREATED IN DIALOGUE

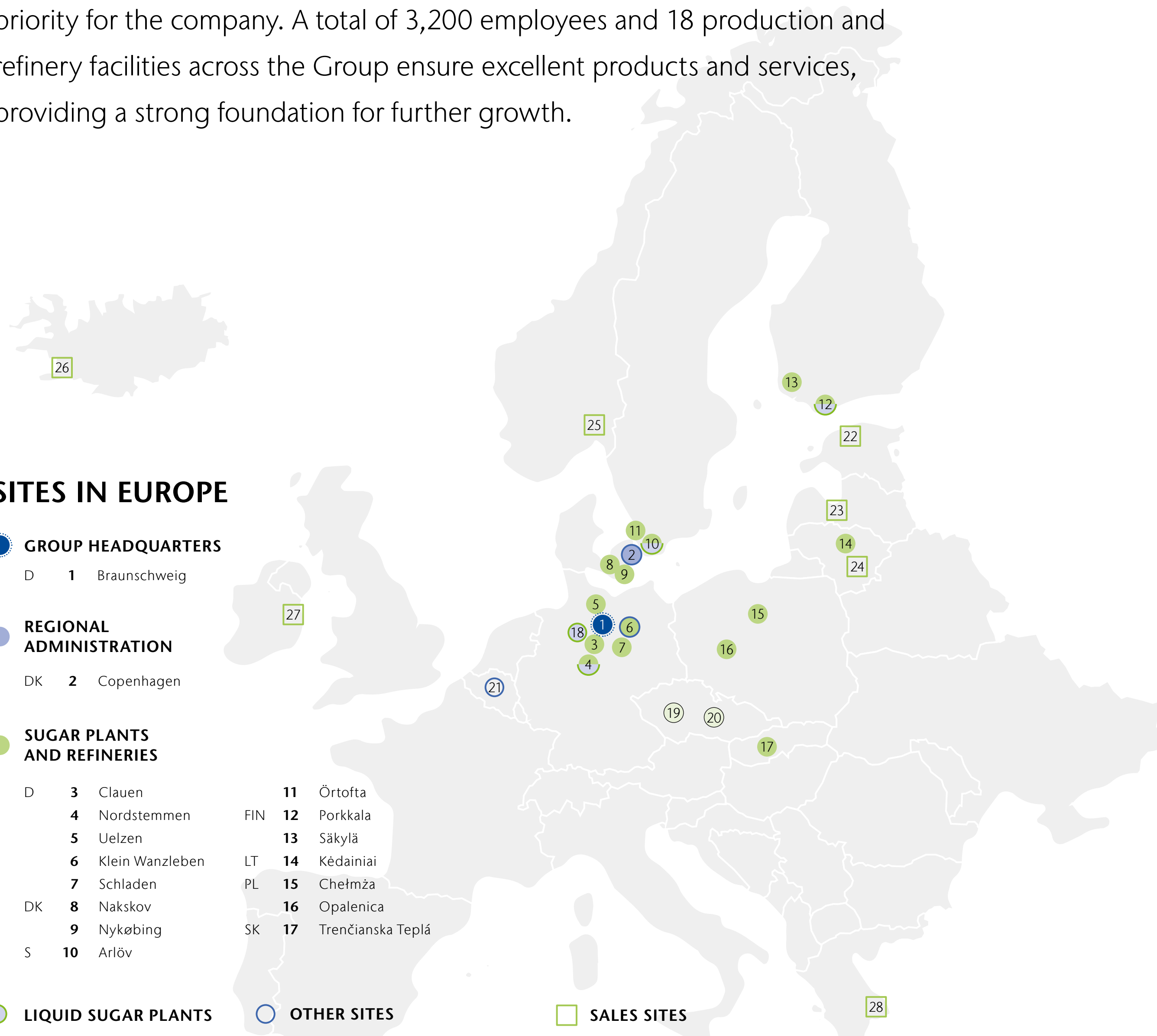
We are familiar with our stakeholders' needs because we listen to them. We shape and improve our value chain together with our partners while pursuing economic, ecological and social goals in equal measure. With our beet growers and our customers in particular, we therefore pursue an ongoing dialogue which focuses on expectations, challenges and our common future.

WEB REFERENCE

PAGE REFERENCE

NORDZUCKER AT A GLANCE

The Nordzucker Group, based in Braunschweig, Germany, is one of the leading sugar manufacturers in Europe. The Group also processes sugar beet into bioethanol and animal feed. Sustainability along the entire value chain is a top priority for the company. A total of 3,200 employees and 18 production and refinery facilities across the Group ensure excellent products and services, providing a strong foundation for further growth.



SITES IN EUROPE

GROUP HEADQUARTERS

D	1	Braunschweig

REGIONAL ADMINISTRATION

DK	2	Copenhagen

SUGAR PLANTS AND REFINERIES

D	3	Clauen
	4	Nordstemmen
	5	Uelzen
	6	Klein Wanzleben
	7	Schladen
DK	8	Nakskov
	9	Nykøbing
S	10	Arlöv
	11	Örtofta
FIN	12	Porkkala
	13	Säkylä
LT	14	Kėdainiai
PL	15	Chełmża
	16	Opalenica
SK	17	Trenčianska Teplá

LIQUID SUGAR PLANTS

D	4	Nordstemmen
	18	Groß Munzel
S	10	Arlöv
FIN	12	Porkkala

OTHER SITES

DK	2	NP Sweet, Copenhagen
D	6	Bioethanol, Kl. Wanzleben
B	21	Brussels office

SALES SITES

EE	22	Tallinn
LV	23	Riga
LT	24	Vilnius
NO	25	Oslo
IS	26	Reykjavík
IE	27	Dublin
GR	28	Athens

SUGAR PLANTS – NON-CONSOLIDATED MINORITY HOLDINGS

CZ	19	Dobrovice
	20	České Meziříčí

KEY FIGURES

YIELD RATIO

		2013/14	2014/15	2015/16	2016/17	**2017/18**
RoCE[1]	%	17.2	1.5	1.0	8.5	10.2
EBIT margin[2]	%	12.7	1.4	1.0	7.7	9.3
Total operating profitability[3]	%	20.0	7.5	5.6	13.2	13.8
Return on revenues[4]	%	8.5	1.1	1.0	5.6	7.0
Return on equity[5]	%	14.5	1.6	1.2	7.0	8.0
Redemption period[6]	years	–0.1	–0.3	–1.8	–1.4	–1.3
Cash flow from operating activities per share	EUR	5.90	2.79	4.11	5.54	4.53
Earnings (Group) per share[7]	EUR	4.17	0.43	0.32	2.00	2.38
Dividend per share[8]	EUR	1.30	0.10	0.10	1.10	1.20[9]
Total dividend	EUR m	62.8	4.8	4.8	53.1	58.0[9]

[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
[9] Proposal

KEY FINANCIAL FIGURES

		2013/14	2014/15	2015/16	2016/17	**2017/18**
Revenues	EUR m	2,361	1,866	1,607	1,708	1,650
EBITDA	EUR m	472	140	90	226	227
EBIT	EUR m	299	26	16	131	154
Net income for the period	EUR m	209	20	15	99	118
Cash flow from operating activities	EUR m	285	135	199	268	219
Cash flow from investing activities	EUR m	–75	–79	–65	–119	–169
Free cash flow[1]	EUR m	210	56	134	149	50
Investment in property, plant and equipment and intangible assets	EUR m	79	82	60	84	89

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

BALANCE SHEET RATIO AT THE END OF THE FINANCIAL YEAR

		2013/14	2014/15	2015/16	2016/17	**2017/18**
Total assets	EUR m	2,337	2,144	2,013	2,117	2,183
Shareholders' equity	EUR m	1,386	1,272	1,278	1,375	1,429
Equity ratio	%	59	59	64	65	66
Debt capital	EUR m	951	872	734	742	754
Capital employed	EUR m	1,701	1,660	1,600	1,500	1,511
Financial liabilities	EUR m	6	7	7	12	4
Cash and cash equivalents	EUR m	58	45	172	322	307
Net debt (cash and cash equivalents less financial liabilities)[1]	EUR m	52	37	164	308	301

[1] Cash and cash equivalents – Financial liabilities

BEET CULTIVATION AND CAMPAIGN

		2013/14	2014/15	2015/16	2016/17	**2017/18**
Sugar yield	t/ha	11.3	13.2	11.6	12.5	12.2
Sugar content	%	18.0	17.3	17.5	17.7	17.3
Campaign length	days	106	125	88	103	117
Sugar production	millions of tonnes	2.50	2.91	2.00	2.50	2.70

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FUTURE CREATED IN DIALOGUE

AXEL AUMÜLLER
Chief Operating Officer

Member of the Executive Board of Nordzucker AG since 9 November 2009

DR LARS GORISSEN
Speaker of the Executive Board

Member of the Executive Board of Nordzucker AG since 1 March 2014, since 1 March 2018 Speaker of the Executive Board

ERIK BERTELSEN
Chief Marketing Officer

Member of the Executive Board of Nordzucker AG since 1 November 2017

FUTURE

»

WE ARE A RELIABLE AND COMPETENT PARTNER. WE LISTEN AND CONTRIBUTE OUR EFFORTS, KNOWLEDGE AND EXPERTISE TO ACHIEVE SUCCESS TOGETHER.

«

DR LARS GORISSEN

DEAR SHAREHOLDERS,

117.8

million Euro
Net income

66%

Equity ratio

Nordzucker has ended the 2017/2018 financial year with very strong results. We have achieved an operating result of EUR 153.7 million, compared to EUR 131.4 million in the previous year, and a net income of EUR 117.8 million, compared to EUR 99.1 million. Despite the rapid drop in prices in the EU that began at the end of the financial year, revenues only declined by around three per cent and amounted to EUR 1.6 billion. With an equity ratio of 66 per cent, our capital resources remain very solid.

2017/2018 was the long-anticipated year of transformation in the sugar market – a once-in-a-lifetime event. After almost 50 years of a regulated EU sugar market, the market environment has now changed significantly.

Sugar prices on the world market fell drastically by more than 40 per cent in the last financial year. This price decline resulted due to a forecast global production surplus of around eight million tonnes in the 2017/2018 sugar marketing year. A surplus of a further five million tonnes is expected for 2018/2019. Worldwide stocks will thus once again increase.

Due to imports under the EU's free trade agreements and the unlimited export opportunities, the global price trend is directly shaping the market situation in the EU and the sugar price trend in Europe. The significant rise in EU sugar production in the 2017/2018 campaign is also increasing the level of competition and price pressure.

CREATED IN DIALOGUE

In the current year, we anticipate a very tense price situation on the European sugar market, which will result in a clear decline in our earnings. This highly competitive period of low prices is the result of the EU market liberalization in connection with extremely low world market prices and will lead to further consolidation on the European sugar market.

Nonetheless, we are confident going forward and are convinced that we will emerge strengthened from this low-price period of increased competition. Our core market is Europe. It is key to maintain existing customers here by increasing their loyalty and to gain new ones. We also want to grow outside the EU together with our internationally active customers. As one of the largest sugar producers, we are continuously optimizing our processes and investing in logistics, energy efficiency, quality and environmental protection. We have high standards in terms of our customer focus and sustainability. Above all, however, we are a reliable and competent partner.

We demonstrated this once again in the 2017/2018 campaign. Together with everyone involved in harvesting and transporting the beet, our plant employees coped in exemplary fashion with a campaign that was challenging due to the weather. We can look back on good yields and an almost entirely trouble-free beet processing campaign. A strong level of coordination is a prerequisite here. This high-performing cooperation throughout the supply chain defines Nordzucker and is one of our key strengths. Nordzucker will continue to develop and grow. In the EU, growth is only possible through a redistribution of market shares. While sugar consumption is largely stagnating here, worldwide it is growing by between 1.5 and two per cent per year. We will therefore continue to position ourselves on the world market and become a company that quite naturally operates globally – through exports and with production locations in other parts of the world.

We will address future issues in a targeted manner, together with our customers and our beet growers. We are preparing our company for the future through a large number of projects, from the start of production of organic sugar from German beet to the use of digitalization in the field with our AgriPortal and our digital cultivation advice.

Sugar and health are currently a public and political talking point. We provide objective information clearly and resolutely, while countering prejudices. This also contributes to a more objective debate: We stand for balanced nutrition as part of a healthy lifestyle and a balance between calorie intake and calorie use. It is important to us to educate people here.

CREATED IN DIALOGUE

With our well-trained, international and highly motivated team, we will identify and exploit the challenges and opportunities that lie ahead of us. Together, we will continuously develop Nordzucker through our dedication and passion.

We would like to thank you, our shareholders, for the trust which you have placed in us. In dialogue with one another, let us forge a successful future together.

Nordzucker AG
The Executive Board

Dr Lars Gorissen | Axel Aumüller | Erik Bertelsen

How is Nordzucker coping with the current price pressure?

DR LARS GORISSEN:
In the past few years, thanks to cost discipline, improved efficiency and new systems for the procurement of raw materials, Nordzucker has established a solid basis to support it through volatile periods and phases characterized by low sugar prices. With an equity ratio of 66 per cent, we now have a fundamentally solid financial position. The coming period will be challenging for the entire industry, though. Realistic planning in terms of the market and our customers, thinking that encapsulates various scenarios and effective risk management will enable us to emerge from this difficult market phase stronger. However, in spite of all of our solid preparatory activities, the way ahead will be arduous and there will also be setbacks.

Will beet cultivation remain attractive in future?

DR LARS GORISSEN:
Certainly, yes. Sugar beet is improving its level of sugar yields every year and makes a positive contribution to the farmer's operating result. Beet is also competitive by comparison with other cultures. However, the decision to ban neonicotinoids and possible further pesticide bans might result in a loss in yield. In our cultivation advice, we will therefore focus on how to alleviate the negative effects for beet cultivation. Moreover, crop protection research and the regulatory authorities must now rapidly develop alternatives. Irrespective of this, its many advantages – such as its important role in crop rotation – mean that beet is and will remain a key crop in our growing regions.

Customers demand quality and sustainability – what is Nordzucker doing to achieve this?

ERIK BERTELSEN:
We maintain close contact with our customers. Certified quality and sustainable production come as a matter of course for us. Within the scope of the Sustainable Agriculture Initiative (SAI), together with our customers we have developed sustainability standards for beet cultivation and required our growers to obtain certification of their compliance with these standards. Our customers greatly appreciate this approach.

Are jobs at Nordzucker still attractive?

AXEL AUMÜLLER:
Nordzucker offers a large number of jobs for a wide range of qualifications throughout the value chain, from the field to the customer. For instance, it is an exciting and responsible task to work with others to keep a sugar plant running for a period of around 130 days while preparing it for this over the remainder of the year through maintenance measures and investments. We require engineers and specialists from a large number of fields for this. As a major European company, in every area of our business we offer the benefits of international exchange. Our business model is oriented towards the future. We are continuously working on improving and optimizing our processes and structures. We have always done this – not just since the regulated market was abolished. We have an outstanding and dedicated team. Their level of dedication is infectious.

SUSTAINABLY INTO THE FUTURE

GROWING & SOURCING

- Audited beet cultivation
- Continuous increase in yield
- Code of Conduct

PRODUCTION & QUALITY

- Energy efficiency
- Climate protection
- Quality standards

COLLEAGUES & COMMUNITY

- Work safety
- Health protection
- Good Neighbour

CUSTOMER & CONSUMERS

- Transparency
- Sugar & Nutrition
- Product safety

RESPONSIBILITY TAKEN

SUSTAINABILITY IS A JOURNEY

»
WE ARE ESTABLISHING SUSTAINABILITY THROUGHOUT OUR VALUE CHAIN.
«

DR LARS GORISSEN

»
SUSTAINABILITY IS A LONG-STANDING TRADITION AT NORDZUCKER. WE ARE A TRAIL-BLAZER.
«

AXEL AUMÜLLER

»
WE ARE NOT ONLY A SUPPLIER, BUT ALSO A CONVERSATION PARTNER AND AN ADVISER.
«

ERIK BERTELSEN

As a food manufacturer with close links to agriculture, Nordzucker assumes responsibility for the environment and society. For us, sustainability means achieving continuous improvements and pursuing social and ecological goals alongside economic objectives. Our activities are based on a dialogue with our partners throughout the value chain, which begins in the field and ends on the plate. Through communication, we identify trends and inquire about needs. We determine goals and measures on this basis.

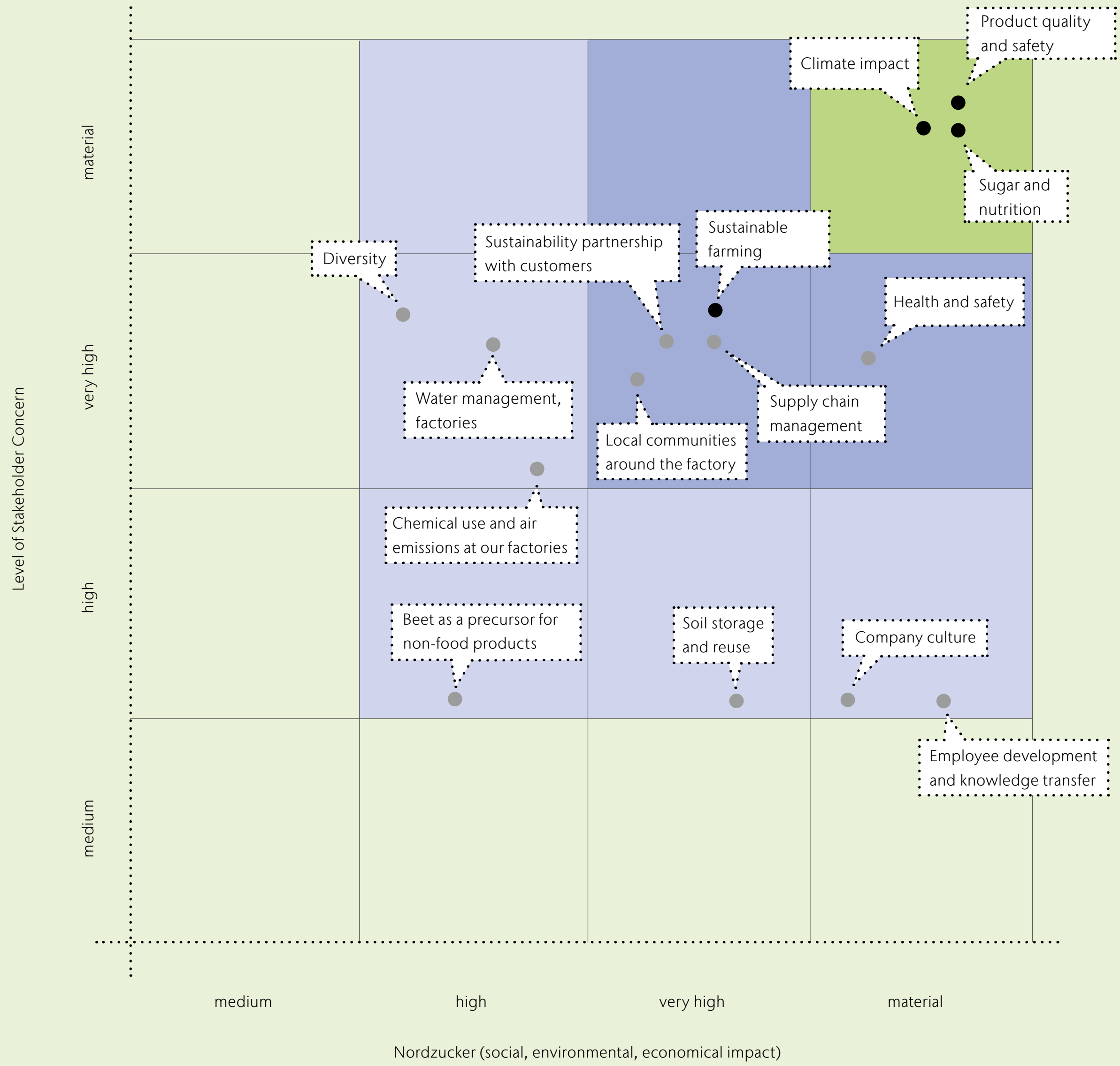
We consulted our beet growers, our customers and other stakeholders within the scope of a sustainability-related materiality analysis and discussed key development issues with them. The following core topics were identified here: product quality and product safety, responsibility in the debate over sugar and nutrition, climate change and sustainable agriculture. We will focus even more strongly on these issues in future.

"These core areas came as no surprise to us. However, thanks to this analysis we now have a better idea of the expectations of our customers and consumers, our beet growers and those who live near our plants when it comes to sustainability. Much of this already reflects our ambitious sustainability goals and shows us where we can jointly achieve more," says Dr Lars Gorissen.

WHAT IS MATERIAL?

In 2017, Nordzucker implemented a materiality analysis in the area of sustainability. Through structured interviews, employees, customers, beet growers and representatives of NGOs and associations were asked for their views on current and future sustainability topics at Nordzucker. This analysis has once more confirmed our priority areas in an impressive way. In our dedication to sustainability, we will thus focus even more strongly on goals and measures in the areas that are considered particularly relevant: product quality and safety, sugar and nutrition, climate change and sustainable agriculture.

Materiality analysis
Evaluation by different stakeholder groups 2017



High-quality and safe
"Our customers have their own visions and goals. We aim to help them to develop their business. We see ourselves not just as a supplier, but also as a conversation partner and an adviser. Through our expertise, we help our customers to identify better solutions – whether in logistics or new recipes. Naturally, our customers expect proof of the quality and sustainability of our products and processes," says Erik Bertelsen, Chief Marketing Officer. "We produce a food product. For that reason alone, we already have a huge responsibility. Certifications, internal and external audits, clearly defined workflows and a high level of quality awareness on the part of our employees are therefore essential for us. Moreover, sustainability is a tradition at Nordzucker. For instance, for almost 30 years we have been a trail-blazer in terms of certifications," adds Axel Aumüller, Chief Operating Officer.

Sugar tastes good
Sugar is a natural component of a balanced diet as part of a healthy lifestyle. The point is to achieve a balance between calorie intake and calorie use. Common sense and, of course, knowledge about food, nutrition and calorie use are frequently helpful here. Sugar has many functions and is more than just sweet: it is also a flavour carrier, provides structure in bakery products and is a natural preservative. "Unfortunately, in our post-industrial society, knowledge of where food comes from and how to prepare it has frequently been lost. Our mission is to increase awareness of sugar's role in balanced nutrition as part of a healthy lifestyle. It is calories rather than the individual nutrients that determine body weight," says Axel Aumüller.

Less energy – fewer emissions
Climate change is one of the greatest risks for our environment and is mainly attributable to industrialization and transportation. CO_2 emissions contribute to the greenhouse effect and thus global warming. Forecasts assume a further rise in temperatures with effects on the global ecosystem and agriculture and thus the future nutrition of the world's population. Reducing energy consumption and CO_2 emissions is therefore not merely a political objective but also represents a commitment for Nordzucker. "We have already reduced our production process-related CO_2 emissions by 65 per cent on 1990 levels. This is a considerable success, which we owe above all to our investments in improved technologies. However, we are far from having achieved our goal. We are currently drafting a long-term action plan with the objective of changing over our entire production system to

Calories are the decisive factor
A University of Glasgow study published in July 2016 confirmed that it is not calorie intake from sugar that plays a key role in weight. Instead, overweight people tend to consume more calories in general than people with a normal weight. The Glasgow researchers thus conclude that an assessment of the total number of calories is the only effective way to tackle being overweight and obesity.

Source: White paper on sugar, Wirtschaftliche Vereinigung Zucker e.V.

65%
CO_2 emissions reduced

GROUP'S SUSTAINABLE BEET CULTIVATION CONFIRMED

Nordzucker has had SAI Farm Sustainability Assessments undertake a step-by-step sustainability review of beet cultivation in all of its beet-growing countries. In February 2018, this process was completed for all of Nordzucker's countries and a new milestone was thus reached.

The Sustainable Agriculture Initiative Platform (SAI) is a global initiative that aims to encourage the development of sustainable agriculture. More than seventy of the world's leading food and beverage producers support SAI, including Unilever, Danone, Coca Cola, Mondelez, Nestlé and McDonalds.

Nordzucker has been speaking to customers about sustainable agriculture for many years. Since then, we have played a key role in the development of this uniform benchmark and are an official SAI member.

As a next step, we will develop these standards together with our partners at SAI. We will rely on the feedback provided by our beet growers for this purpose, since they are the ones who fulfil the relevant standard and obtain certifications.

Responsibility means education
For many years now, Nordzucker has been committed to promoting awareness of healthy and balanced nutrition, particularly among children and adolescents. For instance, Nordzucker supports the education of young people at the international teaching farm in Hardegsen, where they learn where food comes from and how to prepare it.

renewable energy, in line with the political agenda, by no later than 2050. That is a massive undertaking," remarks Axel Aumüller.

A natural product

Our sugar is based on a natural fruit, the sugar beet. Our business model depends on its growing, prospering and delivering good yields. Innovations in the areas of cultivation, crop protection and fertilization and our advice on how to improve cultivation methods have demonstrably increased our growers' beet yields per hectare over the last few years. At the same time, use of nitrogen fertilizers has been halved within a period of 30 years. Increased yields in the field have a clearly positive impact on our environmental footprint and on CO_2 emissions during harvest and transportation. Over the past few decades, cultivation has turned sugar beet into a robust plant that is always attractive by comparison with other field crops. Beet helps protect the soil and the water supply and to preserve biodiversity, including through its significant role in crop rotation. "Beet is a raw material that is truly impressive in terms of sustainability criteria," says Dr Lars Gorissen.

Our path

"For me, sustainable thinking and action comes naturally in daily business – this is a journey that entails clear but also ever new objectives we must consistently follow through on. Sugar comes from nature, and this establishes a close link with sustainability. While a company is concerned with earning a profit, that is by no means its sole objective. We have a long tradition in the sugar-making process, a close link with agriculture and nature and we create a product that gets eaten – a food product. Sustainability means assuming responsibility for people and for our environment. That will also be reflected in our business success," Dr Lars Gorissen emphasizes.

WHAT DOES SUSTAINABILITY MEAN FOR NORDZUCKER?

We have integrated sustainability in our everyday business. Nordzucker employees from various areas of the company demonstrate here what that means for their daily work.

»For me, sustainability means assuming responsibility for developing awareness and understanding the role sugar plays in nutrition.«

ANNE-METTE NIELSEN
MARKETING/NUTRITION COMMUNICATION

»Our business partners aren't the only ones aware of Nordzucker's continuous development in sustainability as well as our commitment to becoming an industry leader here. Our customers regularly congratulate us on our successes to date and confirm our impressive dedication in this area, which everyone agrees is increasingly important.«

MARCUS WESSEL
INDUSTRIAL SALES/KEY ACCOUNT MANAGER

»For me, sustainability means being open to new things. For instance, we can use digitalization in order to use resources more efficiently. It also includes dealing with customers and suppliers fairly and establishing long-term and trusting relationships.«

FRAUKE MÄVERS
AGRICENTER CLAUEN

»Sustainability is a journey with our partners along the entire value chain. It is a necessary and natural aspect of our everyday work.«

IVER DRABAEK
HEAD OF SUSTAINABILITY

REPORT BY THE SUPERVISORY BOARD OF NORDZUCKER AG FOR THE FINANCIAL YEAR 2017/2018

HANS-CHRISTIAN KOEHLER
Chairman of the Supervisory Board

Dear shareholders,

Once again, Nordzucker AG can look back on an encouraging financial year. As a result, the Supervisory Board and Executive Board will be proposing the payment of a dividend of EUR 1.20 at the Annual General Meeting, allowing you, the shareholders, to participate in the good earnings achieved in the financial year.

Following the expiry of the sugar market regime on 30 September 2017, the sugar industry finds itself in a new market environment, and all participants in the market – farmers, customers and producers – are having to react appropriately to the resulting changes. Our company is well prepared for the new market without the sugar quota and minimum beet prices, and has prepared the appropriate responses on a timely basis. The Supervisory Board believes that Nordzucker AG is well equipped to tackle the challenges that lie ahead. Nordzucker is excellently placed to be able to exploit the market opportunities that will arise from the end of the sugar market regime.

Accordingly, the Supervisory Board supports the Executive Board in following its continued growth strategy, not only in Europe, but also in third countries, where we expect an increase in demand for sugar. Just like our Executive Board members, however, the Supervisory Board has also identified the challenges and risks associated with the expiration of the sugar market regime. These include, first and foremost, price volatility, which is set to increase considerably – as just now we are experiencing a sustained period of low prices on the international raw sugar market. This will make our earnings even less predictable and more difficult to plan in the future. Nevertheless, Nordzucker continues to have its sights firmly set on the future and remains optimistic.

Changes have also been made to the composition of the Executive Board.
Dr Lars Gorissen has been Speaker of the Executive Board of the Nordzucker Group since 1 March 2018 and is responsible for the tasks performed to date by the CEO.
He will also remain responsible for the Group's agricultural sector as Chief Agricultural Officer (CAO) on the Executive Board.

Erik Bertelsen was appointed Chief Marketing Officer (CMO) on 1 November 2017 and is thus the Executive Board member in charge of Sales and Marketing. He was previously Head of Sales for the Nordzucker Group and reported directly to the CMO.

The Supervisory Board is confident that the appointment of Dr Lars Gorissen and Erik Bertelsen was the right strategic decision for the future. Dr Lars Gorissen has been with the company since 2008. He successfully restructured the process for the procurement of raw materials during uncertain times and, through attractive contract models, secured the long-term loyalty of beet growers and shareholders in the company. With Erik Bertelsen, the most important import sales and marketing function is gaining an experienced manager from within the Group. He understands our markets and has very good relationships with our customers.

Axel Aumüller's employment contract as Chief Operating Officer was extended in the meeting held on 8 March 2017.

Continuity in this key role is vital in these turbulent and challenging times. Axel Aumüller's vast experience and the knowledge about sugar production that he has acquired over the last few decades are indispensable assets to our company as we go through this time of change. He also has a long-standing presence within the European sugar industry through his involvement in a variety of associations that reach far beyond our company.

In the 2017/2018 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.

SUPERVISORY BOARD MEETINGS AND RESOLUTIONS

The Supervisory Board held four ordinary meetings and one extraordinary meeting in the 2017/2018 financial year. Furthermore, the Supervisory Board held a closed meeting in March 2017 and a constitutive meeting following the Annual General Meeting in July 2017. The Executive Board also attended each of the ordinary meetings.

Before its first ordinary meeting in the 2017/2018 financial year the Supervisory Board met for a closed meeting on 8 March 2017. During this meeting, the Supervisory Board deliberated on staff succession processes within the Nordzucker AG employee structure, in particular in view of the age structure. The objective is to retain existing knowledge in the company and to ensure that an orderly staff succession transition process is in place. In addition, the Supervisory Board considered the results of its internal efficiency audit.

At its first ordinary meeting on 9 March 2017, the Supervisory Board adopted the budget for the Nordzucker Group for the 2017/2018 financial year and discussed and debated the long-term financial planning in detail. The Supervisory Board also adopted the statement of compliance issued by Nordzucker AG on the German Corporate Governance Code, the recommendations of which are followed by Nordzucker AG on a voluntary basis as a company that is not listed on the stock exchange. To the extent that the Code refers to statutory obligations of publicly quoted companies outside the scope of its recommendations, these are not applicable to Nordzucker AG. The company also assumes no voluntary obligation to adhere to them. Otherwise, we refer to the comments in the Corporate Governance Report.

The annual and consolidated financial statements for the 2016/2017 financial year and the dependent company report were the main subject of the second ordinary Supervisory Board meeting held on 22 May 2017 (financial statements meeting). After hearing the auditors' report and conducting an in-depth discussion, and on the recommendation of its Audit and Finance Committee, the Supervisory Board endorsed the annual financial statements of Nordzucker AG and approved the consolidated financial statements. The Supervisory Board's proposals to the Annual General Meeting to be held on 6 July 2017 were also on the agenda. At the recommendation of its Human Resources Committee, the Supervisory Board also adopted the targets for the variable remuneration of the Executive Board for the year 2017/2018. Detailed information on Executive Board remuneration is provided in the remuneration report, which forms part of the annual report (see pages 123 et seq.).

The constitutive meeting of the Supervisory Board took place immediately after the Annual General Meeting on 6 July 2017 and focused on personnel matters. Hans-Christian Koehler was confirmed as Chairman of the Supervisory Board. The shareholder representative, Jochen Johannes Juister, and the employee representative, Sigrun Krussmann, were elected as Deputy Chairpersons. The following members were elected to the Steering Committee, which is Chaired by the Chairman of the Supervisory Board: Hans Jochen Bosse, Dr. Harald Isermeyer, Jochen Johannes Juister and Dr. Carin- Martina Tröltzsch as representatives of the shareholders, and Sigrun Krussmann and Steffen Blümel as employee representatives. Jochen Johannes Juister was appointed as Chairman of the Audit and Finance Committee, and Grit Worsch and Ulf Gabriel were re-elected as members. The employee representatives Friedrich Christoph Heins and Olaf Joern were appointed as new members. Dr. Harald Isermeyer, Sigrun Krussmann, Matthias Kranz and Grit Worsch were elected as members of the Human Resources Committee and Helmut Bleckwenn, Dr. Harald Isermeyer and Dr. Karl-Heinz Engel were elected to the Nomination Committee. Hans-Christian Koehler chairs the Human Resources and Nomination Committees in his role as Chairman of the Supervisory Board.

At its third ordinary meeting held on 27 September 2017, 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.

The fourth ordinary Supervisory Board meeting was held on 23 November 2017 as part of a Supervisory Board excursion.

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 2017/2018 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. With the exception of Hans-Jochen Bosse, the members participated in more than half of the meetings held by 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 2017/2018 financial year (on 8 May 2017, 12 September 2017, 7 November 2017 and on 22 February 2018). The Supervisory Board Steering 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, as well as the closed meeting of the Supervisory Board, and looked closely at the voluntary statement of compliance by Nordzucker AG on the German Corporate Governance Code in line with Section 161 of the German Stock Corporation Act (AktG). The Steering Committee also discussed the compliance structure established by the Nordzucker Group.

The Audit and Finance Committee met four times in the 2017/2018 financial year (8 May 2017, 12 September 2017, 7 November 2017 and 22 February 2018). It looked regularly at the financial situation and forecasts, company funding, investment planning, quarterly and half-yearly financial statements for the Nordzucker Group and Nordzucker AG, risk management, the internal control system and the effectiveness, the resources and the findings of the Internal Audit department. In the presence of the auditors, the committee discussed the financial statements and management reports for the Nordzucker Group and Nordzucker AG for the 2016/2017 financial year. Its work also included appointing the auditors for the 2017/2018 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 2017/2018 financial year as well as the proposal for election of the auditors for the 2018/2019 financial year and the dividend proposal to the Annual General Meeting were prepared at an additional meeting held outside the period under review on 8 May 2018.

The Human Resources Committee met on 4 October 2017 and on 26 February 2018 in the reporting period. In particular, it prepared the Supervisory Board's decisions on the variable remuneration paid to the Executive Board (see remuneration report in the annual report, pages 123 et seq.). In addition, the Human Resources Committee discussed the departure of Hartwig Fuchs, who left the company at his own request on 28 February 2018. He held the roles of CEO and as CMO. The Human Resources Committee recommended the appointment of Dr. Gorissen as Speaker of the Executive Board of Nordzucker AG and the appointment of Erik Bertelsen to the Executive Board of Nordzucker AG with responsibility for sales and marketing. Dr Michael Noth will leave the company at his own request on 31 May 2018 – this was also discussed by the Human Resources Committee.

The Nomination Committee met in the 2017/2018 financial year on 5 March (by means of a telephone conference) 5 and on 11 December 2017. It updated the skills profile for membership of the Supervisory Board as a shareholder representative, in particular in view of the reduction in size of the Supervisory Board. The Nomination Committee made recommendations to the full Supervisory Board for the criteria that must be met by Supervisory Board candidates to be proposed to the Annual General Meeting for election to the Supervisory Board. It also made proposals to the full Supervisory Board on candidates for the chair and deputies as well as the Supervisory Board committees.

ANNUAL FINANCIAL STATEMENTS 2017/2018

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 6 July 2017 at the Supervisory Board's proposal. They audited the 2017/2018 annual financial statements for Nordzucker AG, its management report, the consolidated financial statements and the Group management report and issued each with an unqualified audit opinion. The auditors also audited the dependent company report, presented it to the Supervisory Board members in good time and gave the following opinion: "Following our professional audit and assessment we confirm that 1. the factual statements in the report are correct, and 2. that the consideration paid by the company in the transactions listed in the report was not inappropriately high."

The aforementioned documents were presented in good time, examined thoroughly by the Audit and Finance Committee and the Supervisory Board, and were discussed in detail in the presence of the auditors following their report on the main findings of the audit. The Supervisory Board concurs with the result of the audit and concluded from its own examination at the meeting held on 22 May 2018 that it has no objections to make. The Supervisory Board approved the annual financial statements as prepared by the Executive Board, which 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 1.20 per share for the 2017/2018 financial year.

PERSONNEL MATTERS

Following the Annual General Meeting held on 6 July 2017, the Supervisory Board has 15 members. Of the fifteen 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 6 July 2017 the shareholders of Nordzucker AG again elected Hans-Christian Koehler, Helmut Bleckwenn and Rainer Knacksted to the Supervisory Board. Following the Annual General Meeting on 6 July 2017, Michael Gerlif, who was also Chair of the Audit and Finance Committee, and shareholders' representatives Gerhard Borchert, Joachim Engelke and Dr. Hans Theo Jachmann left office as members of the Supervisory Board. In addition, employees elected their representatives to the Supervisory Board in the periodic elections held in June 2017. Employee representatives Dieter Woischke, Marina Strootmann, Marie Lohel and Gerd von Glowczewski left the Supervisory Board. Steffen Blümel and Matthias Kranz were newly elected. Sigrun Krussmann, Ulf Gabriel and Olaf Joern were re-elected. The Supervisory Board would like to thank those members who have left for their many years of work for the benefit of the Nordzucker Group.

Changes to the Executive Board were as follows: Hartwig Fuchs left the company on 28 February 2018. Dr. Lars Gorissen was appointed by the Supervisory Board as Speaker of the Executive Board at its meeting held on 18 October 2017. Erik Bertelsen was appointed as CMO with effect from 1 November 2017. Outside the reporting period, Dr Michael Noth will leave the company on 31 May 2017. In addition, the employment contract with Axel Aumüller has been extended.

Finally, the Supervisory Board would like to thank the Executive Board and all the employees of the Nordzucker Group for their work in 2017/2018.

Braunschweig, Germany, 22 May 2018

Hans-Christian Koehler
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2017/2018

and declaration on corporate governance in accordance with Sec. 289f paragraph 4 German Commercial Code (HGB)

GENERAL

Corporate governance covers the system of managing and monitoring a company, including its organizational structure, its corporate policies and guidelines as well as the internal and external mechanisms of control and monitoring. Nordzucker AG attaches great importance to well-structured, authentic corporate governance as it ensures that the management of the company is carried out in the spirit of long-term value creation. It fosters the confidence of shareholders, financial markets, business partners, staff and the general public in the management and monitoring of the Nordzucker Group.

Corporate governance is the foundation for the decision-making and controlling processes at the Nordzucker Group. Nordzucker's activities are carried out in accordance with clearly defined guidelines. These guidelines ensure that the company's actions are systematically aligned with the interests and expectations of shareholders, customers, business partners and staff.

The actions of all our staff are aimed at earning an appropriate and sustainable profit, continually generating growth and increasing market share. Continuous improvement of all business processes by competent, well-managed staff earning performance-related pay secures the existence and the systematic long-term development of the company in an ever-changing competitive environment.

DUAL GOVERNANCE SYSTEM

Nordzucker AG is based in Braunschweig and is subject to German stock corporation law. As a fundamental principle it provides for a dual system of governance, in which the Executive Board is responsible for managing the company and the Supervisory Board is responsible for advising and monitoring the Executive Board. Both boards and their members have their own authority and work together closely and on the basis of mutual trust in the interests of the company.

COMPOSITION AND WORKING PRACTICES OF THE EXECUTIVE BOARD

The Executive Board of Nordzucker AG currently consists of four members.

The Executive Board of Nordzucker AG is responsible for determining company policy. It sets corporate strategy, plans and approves company budgets, decides on the allocation of resources and monitors the performance of the company and the Group. It is also responsible for preparing the interim and annual financial statements for Nordzucker AG and the consolidated financial statements. The Executive Board is collectively responsible for managing the business of Nordzucker AG.

In accordance with Sec. 111 paragraph 5 of the German Stock Corporation Act (AktG) the Supervisory Board set a target of 0 per cent for the future proportion of women on the Executive Board to be achieved by 30 June 2017. There were no women on the Executive Board on 30 June 2017. At its meeting held on 9 March 2017, the Supervisory Board of Nordzucker AG set the following targets for the future proportion of women on the Executive Board: By 30 June 2022, the target for the proportion of women on the Executive Board is 0 per cent.

For the first level below the Executive Board, a target of ten per cent of female managers was to be achieved by 30 June 2017. For the second level – managers with employee responsibility – the target was 20 per cent. As of this date, the proportion of women at the first level of management below the Executive Board was 11.1 per cent throughout the Group and 14.3 per cent throughout Germany. The target for the first level of management below the Executive Board was thus met. At the second level below the Executive Board, as of 30 June 2017 the proportion of women came to 19.5 per cent for the Group as a whole, and 18.0 per cent for Germany. The company thus slightly fell short of this target.

The Executive Board of Nordzucker AG has also set the following targets for the future: for the first level below the Executive Board, a target of 15 per cent of female managers should be achieved by 30 June 2022. For the second level – managers with employee responsibility – the target is 21 per cent. As of the end of the financial year, the proportion of women at the first level of management below the Executive Board was 10.0 per cent throughout the Group and 13.0 per cent throughout Germany. At the second level below the Executive Board, the proportion of women comes to 18.8 per cent for the Group as a whole, and 17.6 per cent for Germany.

The Executive Board, with the approval of the Supervisory Board, has adopted internal rules of procedure.

COMPOSITION AND WORKING PRACTICES OF THE SUPERVISORY BOARD

The Supervisory Board of Nordzucker AG currently has 15 members. Two-thirds of the Supervisory Board members represent the shareholders and one-third represents the workforce. The Supervisory Board monitors the Executive Board and advises it on the management of the company. The Supervisory Board regularly discusses the course of business and company planning as well as corporate strategy and its implementation. It examines and approves the annual financial statements of Nordzucker AG and the consolidated financial statements for the Group, giving due regard to the auditors' report and the results of the examination by the Audit and Finance Committee. Major Executive Board decisions are subject to its approval.

By 30 June 2017, the target for the proportion of women on the Supervisory Board was to be at least 19 per cent. As of 30 June 2017, there were five women on the Supervisory Board, which corresponds to a proportion of 23.8 per cent. This target has thus been met. At the end of the reporting period, the Supervisory Board consisted of a total of 21 members, with 14 representing the shareholders and seven being elected by the employees.

As of the close of the Annual General Meeting in which votes were cast on discharging the boards for the 2016/2017 financial year, the Supervisory Board was reduced to 15 members. Of these members, ten are drawn from the ranks of the company's shareholders and five from the ranks of the employee representatives, who were likewise newly elected in 2017. Three women currently serve on the Supervisory Board, which corresponds to a ratio of 20 per cent – i.e. roughly in line with the proportion of the company's female workforce.

At its meeting held on 9 March 2017, the Supervisory Board of Nordzucker AG set the following targets for the future proportion of women on the Supervisory Board: By 30 June 2022, the targets for the proportion of women on the Supervisory Board are to be at least 25 per cent.

In accordance with recommendation 5.4.1 of the German Corporate Governance Code and Sec. 111 paragraph 5 AktG, the Supervisory Board decided on 9 March 2017 to take, in particular, the following elements relating to its composition into account:

- At least three Supervisory Board seats for people with a particularly international background (e.g. people who have worked abroad or hold foreign citizenship).

- At least three Supervisory Board seats for people who hold no functions connected with customers, growers' associations or other business partners.

- At least three Supervisory Board seats for women. The target for the proportion of women on the Supervisory Board is 25 per cent, with an implementation deadline of 30 June 2022. At present, there are five women on the Supervisory Board, which corresponds to a proportion of 20.0 per cent.

- The age limit for Supervisory Board members is 65 as a general rule.

- There is a general membership limit of 25 years for the Supervisory Board.

At present these targets have been met.

The Supervisory Board has adopted internal rules of procedure and to optimize its working practices has set up a Steering Committee, an Audit and Finance Committee, a Human Resources Committee and a Nomination Committee.

MAIN CORPORATE GOVERNANCE PRACTICES

In addition to the principles of the German Corporate Governance Code, the sustainable and responsible governance of the Nordzucker Group is based on the following core principles:

- The four company values – responsibility, dedication, courage and appreciation – form the basis of the company culture at the Nordzucker Group.

- Building on these, the Code of Conduct provides general guidance for the employees of the Nordzucker Group and those sales representatives, consultants and other business partners who act on its behalf.

- Internal rules, guidelines, process descriptions, directives and manuals apply this general guidance to specific situations.

- The six key messages describe the company's guiding principles.

- The Business Principles form the basis for working together in a functional organizational structure.

DECLARATION BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD OF NORDZUCKER AG IN ACCORDANCE WITH SECTION 161 AKTG

The principles of good company management for publicly traded companies are laid down in the German Corporate Governance Code (hereafter known as the Code). The Code consists of recommendations and suggestions for good company management and also describes statutory obligations for publicly listed companies. Publicly traded companies must issue an annual statement on compliance with the Code's recommendations pursuant to Sec. 161 of the German Stock Corporation Act (AktG). This declaration relates to both past and future periods. Nordzucker AG is not a publicly traded company within the meaning of Sec. 161 paragraph 1 AktG. It is therefore not obliged to make an annual statement on whether the company complies with the recommendations issued by the Government Commission German Corporate Governance Code and the reasons for any non-compliance. Despite this, the principles of good and transparent corporate governance are an established part of the company culture at Nordzucker AG. As in previous years, the Executive Board and Supervisory Board of Nordzucker AG have therefore decided to make a voluntary statement pursuant to Sec. 161 paragraph 1 AktG (see page 29 of the annual report). The statements of compliance for the past five years can be found on the Nordzucker AG website. To the extent that the Code refers to statutory obligations of publicly quoted companies outside the scope of its recommendations, these are not applicable to Nordzucker AG. The company also assumes no voluntary obligation to adhere to them.

COMPLIANCE, RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

Compliance refers to all the activities carried out across the Group to ensure that the company, its managers and employees act in accordance with statutory and internal rules and regulations. The Supervisory Board and Executive Board of Nordzucker AG will not tolerate any breaches, especially breaches of anti-trust and anti-bribery legislation. All indications of any such breaches will be followed up without delay. Internal measures are in place that aim to prevent employees and the company from breaking the law and help them to apply the relevant regulations and internal guidelines correctly. Training courses are held on a regular basis for this purpose.

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

A “Speak Up!” system has been in place since the beginning of the 2017/2018 financial year, allowing employees and individuals from outside of the company to submit anonymous tip-offs concerning ethical misconduct.

A responsible attitude to risk is also part of prudent company management and good corporate governance practice. The internal control system of the Nordzucker Group ensures that risks are measured where they arise and steps are taken accordingly. Furthermore, the Nordzucker Group has a risk management system to identify and measure developments that could cause substantial disadvantages. The risk management system also serves to avoid risks that could jeopardize the ability of the company to continue as a going concern. Finally, internal audits are conducted on a regular basis, which contribute to good corporate governance by providing independent monitoring of the internal control system and risk management system.

FINANCIAL REPORTING

Nordzucker AG prepares its annual financial statements in accordance with the accounting principles of the German Commercial Code (HGB). The Nordzucker Group applies International Financial Reporting Standards as applicable in the European Union (EU).

SUSTAINABILITY AS AN ALL-ENCOMPASSING CONCEPT

Sustainability is a high-priority topic for the Nordzucker Group and many of its customers. As a food producer, ecological and social issues are a natural part of our daily work. For the Nordzucker Group it is vital to develop a sustainable value chain together with suppliers, service providers, employees and customers. Our top priorities are traceability, quality and dependability. The Nordzucker AG sustainability report is available at sustainability.nordzucker.com.

Furthermore, meeting high standards for food and animal feed quality and safety, conserving resources, continuously minimizing and preventing environmental damage as well as safeguarding health and safety at work are an integral part of all the Nordzucker Group's activities. Particular importance is attached to avoiding and preventing errors.

Braunschweig, Germany, May 2018

For the Supervisory Board	For the Executive Board
Hans-Christian Koehler	Dr Lars Gorissen
Chairman of the Supervisory Board	Speaker of the Executive Board

VOLUNTARY STATEMENT ON THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG FOR THE FINANCIAL YEAR 2017/2018

Nordzucker AG is not a publicly traded company within the meaning of Sec. 161 paragraph 1 AktG. It is therefore not obliged to make an annual statement on whether the company complies with the German Corporate Governance Code issued by the Government Commission German Corporate Governance Code and the reasons for any non-compliance. Despite this, the principles of good and transparent corporate governance are an established part of the company culture at Nordzucker AG. As in previous years, the Executive Board and Supervisory Board of Nordzucker AG have therefore decided to make a voluntary statement pursuant to Sec. 161 paragraph 1 AktG.

On this basis, the Executive Board and Supervisory Board of Nordzucker AG declare that since the last statement of compliance was made in March 2017, the company has complied and will comply with the recommendations of the Code as amended on 7 February 2017, with the following exceptions:

1. Given the particular significance of agricultural expertise for the company, conflicts of interest to which Supervisory Board members may be subject are of secondary importance (Number 5.5.3 sentence 2).

2. As Nordzucker AG is included in the consolidated financial statements of Nordzucker Holding AG, the latter company has a particular need for information (Number 6.1).

To the extent that the Code refers to statutory obligations of publicly quoted companies outside the scope of its recommendations, these are not applicable to Nordzucker AG. The company also assumes no voluntary obligation to adhere to them. Otherwise, we refer to the comments in the Corporate Governance Report.

Braunschweig, March 2018

Supervisory Board	Executive Board
Hans-Christian Koehler	Dr Lars Gorissen
Supervisory Board	Speaker of the
Chairman	Executive Board

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GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT OF NORDZUCKER AG

NORDZUCKER AT A GLANCE

BUSINESS ACTIVITIES

12%
market share Europe

Nordzucker is one of the largest sugar producers in the European Union (EU). In the 2017/2018 financial year, the company produced 2.7 million tonnes of sugar from sugar beet in 13 sugar plants in seven European countries. On average over the year, the Group had 3,234 employees.

Our customers include the confectionery industry as well as producers of dairy and bakery products, jams, ice cream and drinks. To a lesser extent, Nordzucker's products are also used for purposes other than human consumption, such as in the chemical industry, for example. The company sells some 80 per cent of its sugar to customers in the food industry. The remaining 20 per cent is supplied to consumers via the retail industry. Nordzucker sells these retail sugar products to consumers in many different 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 portfolio includes other products of the sugar-making process, especially dried pulp pellets, pressed pulp and molasses as animal feed – the latter also for the yeast and alcohol industries.

For the sites see also front cover page

Nordzucker AG

NORDZUCKER GmbH & Co. KG, Braunschweig/Germany	100%	NORDIC SUGAR A/S, Copenhagen/Denmark	100%	NORDZUCKER POLSKA S.A., Opalenica/Poland	99.87%
NORDDEUTSCHE FLÜSSIGZUCKER GMBH & CO. KG, Braunschweig/Germany	70%	NORDIC SUGAR AB, Malmö/Sweden	100%	POVAŽSKÝ CUKOR A.S., Trencianska Tepla/Slovakia	96.80%
NORDZUCKER SERVICES GMBH & CO. KG, Braunschweig/Germany	100%	NORDZUCKER IRELAND LIMITED, Dublin/Ireland	100%		
		SUCROS OY, Säkvlä/Finland	80%		
		SUOMEN SOKERI OY, Kantvik/Finland	80%		
		AB NORDIC SUGAR KĖDAINIAI, Kėdainiai/Lithuania	70.60%		

STRATEGY

Since the company was founded in 1997, Nordzucker has driven growth in its core sugar market. Consolidation of the North German sugar industry was followed by several acquisitions in Eastern Europe. Nordzucker pursued its growth strategy with the purchase of the Nordic Sugar Group in 2009 and is now the second largest sugar producer in Europe. After restructuring its investment portfolio in 2010 and 2011, the Nordzucker Group now mainly concentrates on the production and distribution of sugar. It benefits from a strong market position in the EU and a solid financial structure. With the end of the sugar market regime in its existing form as of 30 September 2017, competition in the EU has intensified further; Nordzucker adjusted to this development early on and is continuing to systematically work on boosting its productivity.

Nordzucker offers high-quality products and first-class service at a reasonable price. Nordzucker therefore sets great store by customer orientation, individual solutions, great flexibility and dependability of supplies. Its broad product range, which includes a wide assortment of speciality products, adds value for customers.

Sustainable business determines all of the workflows throughout the company and includes the entire value chain, from the beet to the customer. Environmental protection, energy efficiency and social aspects are taken into account in all business decisions. Product safety and occupational health and safety have top priority. Nordzucker sets itself ambitious targets in all areas of sustainability, which result in continuous improvements.

To prepare for the challenges it will face after the system of EU quotas expires in 2017, Nordzucker embarked on a wide-ranging programme of change that involved staff at all levels of the company. It aimed, in particular, to raise further awareness among all employees of the changes in the market. Thanks to this project and many other initiatives implemented in recent years, Nordzucker is more market- and customer-oriented, efficient and effective today than ever before. The transformation process is based on the four Nordzucker values: dedication, responsibility, courage and appreciation. These values unite our employees in a manner that transcends national borders and they enable them to perform to the very best of their ability.

Nordzucker works continuously to improve efficiency along the entire value chain. Efforts are particularly focused on steps to achieve lasting increases in the yields from beet farming. The vision behind the 20·20·20 project is for the top 20 per cent of beet growers to achieve a yield of 20 tonnes of sugar per hectare by 2020. This project aims to make sugar beet even more competitive in comparison with other crops, thereby safeguarding beet cultivation in the catchment areas of the plants for the long term. Alongside elements of research work and cultivation techniques, the 20·20·20 project also includes communication of the findings, especially by means of cultivation-related advisory work.

More about
the project 20·20·20 at
sustainability.
nordzucker.com

Another efficiency programme called FORCE was launched at the beginning of 2015. This programme aimed for substantial cost savings in all areas of the company. Through various sub-projects, annual savings of roughly EUR 47 million were thus achieved in the Nordzucker Group up to the end of the 2017/2018 financial year. The focus was on purchasing, production and all administrative areas. Furthermore, a team has been set up to establish LEAN management methods at Nordzucker. The entire management at Nordzucker as well as a large part of the workforce have since undergone training in these methods. LEAN management aims to simplify processes, prevent waste and cut costs in the long term. The approach is based on a consistent customer focus and on the systematic analysis of workflows. Various projects have already achieved substantial performance gains. In addition, the company is continuing to make targeted investments in its plants in order to maintain their high level of productivity and to prepare them to fulfil future requirements.

2017/2018:
savings of roughly
47 million Euro

These measures will enable Nordzucker to utilize strategic opportunities following the end of the sugar market regime (in its existing form). The EU sugar market is expected to undergo a renewed process of consolidation, in which Nordzucker aims to play an active role. The expiry of the sugar market regime in 2017 means that the maximum limits for export volumes now no longer apply. Accordingly, sugar exports will gain in significance in future. This means that it will be important for the company to build up additional expertise in European sugar exports and to establish the logistics required for this in order to ensure its further development. In light of this, Nordzucker acquired a stake of 25 per cent in August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG, Hamburg, in the 2015/2016 financial year.

In addition, Nordzucker reviews growth opportunities outside Europe. The focus is on attractive growth regions where demand and/or production is likely to continue to grow – in contrast to the EU. The company aims to produce and market sugar outside of Europe within the framework of cooperation initiatives with local, national or international partners. Adjacent agricultural markets in which Nordzucker can apply its strong expertise in the processing of, logistics for and distribution of agricultural products offer a further potential growth area.

COMPANY MANAGEMENT AND ORGANIZATION

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

Since late 2014, Nordzucker has been managed and controlled in terms of functions. At the Executive Board level, the respective functions are the Speaker of the Executive Board, Production, Marketing and Sales, and Finance. Following the retirement of the CEO Hartwig Fuchs on 28 February 2018, the Chief Executive Officer and Chief Agricultural Officer positions were combined. From 1 March 2018, the Chief Agricultural Officer will also serve as the Speaker of the Executive Board.

The business team, which consists of five managers, is responsible for the operational management of the company at the level directly below the Executive Board and prepares decisions for the Board. Standardizing and harmonizing all processes facilitates international cooperation within the Group. The "One Company" ("One Nordzucker") strategy will significantly increase the level of efficiency and effectiveness, improve process quality and lay the foundation for the transfer of knowledge and cost savings.

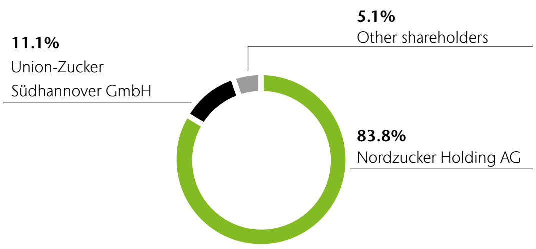
The internal management of the Nordzucker Group is carried out by means of financial and non-financial indicators. The financial indicators system comprises the following parameters: RoCE, EBIT margin, net income for the period, equity ratio, net debt and free cash flow. The key indicators previously used (EBITDA margin, return on sales, return on equity and the equity ratio that is already used) will continue to be reported in parallel for the time being. 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 is an important key indicator: it 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.

At the same time, non-financial performance indicators are important for managing all areas of the company. In the course of the 20·20·20 project, for instance, the aim is for the top 20 per cent of beet growers to produce 20 tonnes of sugar per hectare by 2020. The company also tracks a large number of key indicators relating to sustainability. These reflect the significance of environmental aspects, as well as product quality and occupational health and safety, for example. The development of these key indicators and their target achievement are also reported regularly on the Group's website.

SHAREHOLDER STRUCTURE OF NORDZUCKER AG

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

SHAREHOLDER STRUCTURE OF NORDZUCKER AG



MACROECONOMIC SITUATION

According to the Organisation for Economic Co-operation and Development (OECD), global economic growth in the year under review was significantly stronger than in the previous year. While global gross domestic product (GDP) had increased by 2.9 per cent in 2016, growth in 2017 came to 3.6 per cent. Growth has picked up in almost all regions of the world. The period of economic weakness in Brazil and Russia is now over, while China continues to register strong growth. At 2.3 per cent, growth in the European Union was half a percentage point higher than in the previous year (1.8 per cent). The European Central Bank's key interest rate remains at a low level, thus continuing to stimulate the overall Eurozone economy.

According to the German Federal Statistical Office, economic growth in Germany came to 2.2 per cent in 2017 (previous year: 1.9 per cent). This puts it roughly on a par with the European average. As in the previous year, German growth was driven largely by private consumer spending as well as a higher volume of corporate investment. Due to the further increase in foreign demand, German companies' exports have likewise boosted growth.

THE SUGAR MARKET

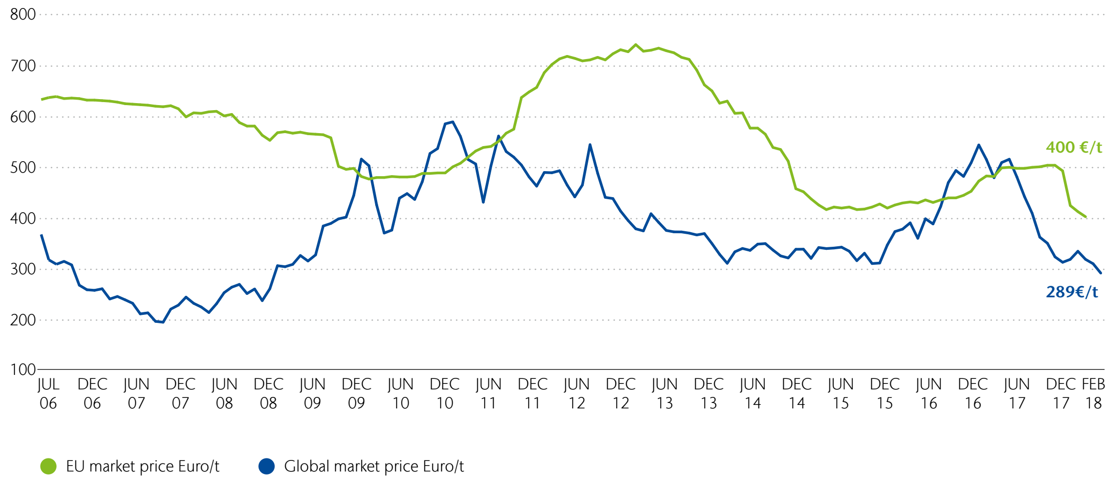
SECTOR DEVELOPMENTS

WORLD SUGAR MARKET

The 2016/2017 sugar marketing year (1 October to 30 September) was the second consecutive year in which global consumption outstripped global production. According to the market research institute F. O. Licht, in 2016/2017 the total deficit came to 3.6 million tonnes, compared to a deficit of 9.1 million tonnes in the previous year. However, the deficit thus clearly fell short of the original expectations. In particular, this reflected the fact that Brazilian producers processed more sugar cane than expected into sugar rather than into ethanol.

Due to this development and in anticipation of a production surplus in the current sugar marketing year, prices declined significantly in the first half of the 2017 calendar year. In the current 2017/2018 sugar marketing year, to date the harvest season in most countries has matched or even exceeded expectations, particularly in India. Overall, the forecast points to a rise in global production in 2017/2018 of 14.7 million tonnes (8.2 per cent on the previous year), while consumption will grow by just 3.0 million tonnes (1.65 per cent on the previous year). Worldwide, this will result in an expected surplus of 7.7 million tonnes and thus a global increase in stocks that will likely rise to 75.8 million tonnes or 41.3 per cent of consumption.

EU PRICES AND WORLD MARKET PRICES FOR SUGAR, 2006 – 2018
Euro



Source: EU-Price-Reporting, 28 February 2018 and for the world market, London No 5

In view of the abundant supply of sugar, prices on the world market remain under pressure. In the last reporting year (February 2017 to February 2018), the price of white sugar, based on the London No. 5 quoted price, had fallen by 44 per cent, from EUR 513 per tonne to EUR 289 per tonne, in February 2018. However, some of this decrease was attributable to the Euro's rise against the US Dollar.

THE SUGAR MARKET IN THE EU

Nordzucker's 2017/2018 financial year falls within two EU sugar marketing years: 2016/2017 and 2017/2018 (each from 1 October to 30 September). Since 1 October 2017, the EU no longer distinguishes between quota sugar for human consumption and non-quota sugar for industrial use (especially bioethanol production) and for export; the quota system for sugar, the minimum sugar beet price and the restriction on export volumes thus no longer apply. This represents a fundamental change for the EU sugar market. There are now no limits on the production of sugar in the EU for any type of use. At the same time, isoglucose production is likewise no longer subject to a quota system. Overall, this will not only considerably intensify competition among sugar producers. Sugar will also remain obtainable by imports from ACP/LDC countries or by CXL imports.

According to the European Commission, in the 2016/2017 sugar marketing year at 18.5 million tonnes sugar production roughly matched the level in the previous sugar marketing year (18.4 million tonnes). Of these 18.5 million tonnes, 14.2 million tonnes were quota sugar and 4.3 million tonnes were non-quota sugar. Moreover, at 3 million tonnes the volume of imports was considerably lower than in the previous marketing year (3.5 million tonnes in 2015/2016). Together with imports, the market in the EU was adequately supplied with quota sugar in the period up to 30 September 2017.

Prices thus remained relatively stable in the 2016/2017 sugar marketing year: according to the European Commission, the average market price at the beginning of the 2016/2017 sugar marketing year (October 2016) was EUR 470 per tonne of white sugar, but at the end of the 2016/2017 sugar marketing year in September 2017, it was EUR 490 per tonne.

The European sugar price trend was more subdued by comparison with the world market price. One of the main reasons behind this difference in prices is the different time frame used for reporting purposes: the EU price is based on the revenues reported by companies, as contractually agreed in the past and transacted in the current month, whereas the futures markets trade based on the current market situation on the world market and future expectations.

The 2017/2018 sugar marketing year (30 September 2018) has not yet come to an end. The European Commission estimates that sugar manufacturers in the EU have produced around 20.9 million tonnes of sugar this year. The distinction between quota and non-quota sugar ceased to apply in this sugar marketing year. The volume of production is thus significantly higher than the previous year's level as well as the average volume for previous years. The German and French sugar industries in particular have significantly expanded their production; these large production volumes are depressing the market. While imports have declined strongly (1.8 million tonnes are still predicted), the European market is more than adequately provided for. Despite weak global market prices, the European Commission expects exports with a volume of 4.8 million tonnes (of which 3.2 million tonnes of sugar and 1.6 million tonnes in products containing sugar) and a level of consumption in the EU of 17.7 million tonnes. Even on the basis of these assumptions, as of 30 September 2018 stocks will increase to 2.4 million tonnes.

sugar consumption of 17.7 million tonnes in the EU

The abundant supply in the EU and the weak global market have resulted in a significant fall in prices. The 2017/2018 sugar marketing year started in October with an average price reported by the European Commission of EUR 422, which thus represented a strong decline on the previous months. In January 2018, the average price came to EUR 374 per tonne of white sugar.

GLOBAL SUGAR BALANCE

in 1,000 mt raw value	**2017/2018**	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Opening Stocks	**68,153**	71,740	80,871	79,200	74,532	63,959
Production	**194,066**	179,380	174,049	180,697	181,503	184,166
Consumption	**183,616**	180,638	179,834	178,568	175,942	171,636
Unrecorded disappearance	**2,753**	2,328	3,346	0,458	0,892	–2,395
Ending Stocks	**75,850**	68,415	71,740	80,871	79,200	74,094
Stock-to-use-ratio in %	**41.31**	37.73	39.89	45.29	45.01	43.17
Surplus/Deficit	**7,697**	–3,586	–9,131	1,671	4,669	10,135

Source: F. O. Licht Weltzuckerbilanz, March 2018

TOP 5 PRODUCERS

in 1,000 mt raw value	**2017/2018**	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Brazil	**34,409**	41,954	40,511	34,706	39,534	41,162
India	**33,150**	22,126	27,372	30,616	26,580	27,332
EU	**21,088**	17,504	15,098	19,147	17,123	17,415
Thailand	**14,400**	10,299	10,025	11,579	11,677	14,205
China	**11,159**	10,095	9,459	11,474	14,476	10,346

Source: F. O. Licht Weltzuckerbilanz, March 2018

TOP 5 CONSUMERS

in 1,000 mt raw value	**2017/2018**	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
India	**27,744**	27,200	26,739	27,010	27,842	26,295
EU	**18,493**	18,516	18,513	18,639	19,228	19,288
China	**17,200**	17,000	16,739	17,283	16,600	16,150
Brazil	**12,054**	11,907	11,754	11,746	12,032	12,411
USA	**11,525**	11,320	11,120	10,932	10,903	11,109

Source: F. O. Licht Weltzuckerbilanz, March 2018

BUSINESS PERFORMANCE

INDUSTRIAL CUSTOMER BUSINESS

Most of the company's industrial customers are food and beverage producers. A smaller group includes customers from the chemical industry, who use sugar for fermentation, for example, as opposed to for human consumption. The centrally managed sales team serves markets both within and outside of the EU. Nordzucker offers its customers pronounced product expertise and a solution-oriented service. This includes providing expert advice on the selection and use of different types of sugar and grain sizes, as well as extensive services – such as in logistics or the joint development of customer-specific product solutions. High food safety and sustainability standards are another important aspect of the company's service.

In particular, the 2017/2018 financial year was influenced by the expiry of the previously applicable sugar market regime. The abolition of the market regime and the associated quota system mean that Nordzucker is exposed to significant changes. Up to the end of the quotas on 30 September 2017, prices remained stable and were able to clearly decouple themselves from the declining world market level. In the 2017/2018 campaign – the first without quotas – sugar production was then clearly stepped up, particularly in countries with advantageous climatic conditions for sugar beet cultivation such as France and Germany. This expansion of sugar production, combined with the negative trend for the world market price, resulted in a drastic decline in prices in the EU. Necessary exports to take the pressure off the internal market were not a very attractive option, which intensified competition and the struggle for market shares. A positive factor is the fact that sales of isoglucose, which is likewise no longer regulated through quotas, have not yet increased significantly and have thus not put any further pressure on the market. The level of demand for sugar in the food industry remained relatively stable. Customer requirements in relation to quality, sustainability, availability as well as delivery punctuality and flexibility became even more critical, and Nordzucker successfully met these requirements.

Overall, Nordzucker maintained its strong market position in this complex and difficult market environment. While it suffered losses in some countries, in other countries it was able to stabilize and expand its market position. Business outside of the EU showed positive development and was up in a year-on-year comparison. Overall, a good 2 million tonnes of sugar were sold in the industrial sector in the past financial year, which corresponds to a decline of 1 per cent as against the previous year.

2.0

million tonnes of sugar sold in the industrial sector

RETAIL CUSTOMER BUSINESS

The retail business includes retailers of food and household products as well as discount supermarkets. As with the industrial customer segment, this sales function is also managed centrally across all markets, with customer support provided on-site by local sales units.

The same factors that affect the industrial customer segment also influence the retail business. Here again, prices declined drastically following the abolition of the quota system. However, the effects of this were still limited in the past financial year, since the lower prices only applied for the last two months of this period.

In terms of its sales markets, Nordzucker registered slight declines in sales in North and Central Europe but significantly expanded its market presence in Eastern Europe, achieving sales growth of 3 per cent.

3%

sales growth in Eastern Europe

MARKET FOR ANIMAL FEED AND MOLASSES

SECTOR DEVELOPMENTS

In line with the aforementioned trend on the world sugar market, production of molasses increased by 7.2 per cent on the previous year to 65.5 million tonnes. Production on the American continent remained largely stable. In Asia, on the other hand, a growth rate of 14 per cent is assumed. In the EU, together with positive acreage yields for sugar beet according to the market research institute F. O. Licht, the disproportionately large increase in acreage that resulted from the expiry of the former sugar market regime caused molasses production to increase by 0.7 million tonnes or 21.9 per cent to 3.9 million tonnes. The rate of increase in production in Europe, including the non-EU countries, is estimated to amount to 10.7 per cent.

The fermentation industry in Europe is mainly shaped by alcohol producers, with roughly 2.3 million tonnes of molasses used in 2017, followed by the yeast industry with a relatively stable volume of demand for molasses over the years of between 1.1 and 1.2 million tonnes per year.

Analogously to the increase in sugar production from sugar beet, the volume of beet cossettes worldwide has increased to 16.8 million tonnes (calculated on the basis of 90 per cent dry content). Europe accounts for the largest share, 13.1 million tonnes. This corresponds to a 12 per cent increase on the previous year in Europe. In the EU itself, the volume of production increased disproportionately strongly, by 21.2 per cent to 7.9 million tonnes.

European manufacturers of mixed feed products for livestock and pets slightly increased their volume of production in 2017 by 0.2 per cent to 156.7 million tonnes. Moreover, demand for mixed feed for cattle and horses increased in some markets. Both of these factors had a positive impact on demand for dried pulp pellets and molasses.

BUSINESS PERFORMANCE

FERMENTATION INDUSTRY CUSTOMERS

The molasses produced by Nordzucker are mainly sold to customers in the fermentation industry. Here, Nordzucker AG increased its volume of sales to customers by almost 20 per cent; at the same time, use of molasses in bioethanol production was reduced. While molasses prices declined considerably (minus 8.7 per cent at Nordzucker) due to the impending surpluses in the EU's molasses production, sales to customers in the fermentation industry were more profitable than use for bioethanol production.

ANIMAL FEED CUSTOMERS

Nordzucker markets dried pulp pellets, molasses as well as vinasse from its own ethanol production to mixed feed producers. These products are feed materials listed in the EU catalogue of feed materials. In the 2017/2018 financial year, at roughly 600,000 tonnes, sales of dried pulp pellets slightly exceeded expectations. The market price realized for dried pulp pellets was four per cent higher than in the previous year. The volume of the liquid molasses product sold to the mixed feed industry remained largely stable in the past financial year, while the volume of vinasse sold was lower than in the previous year due to production factors. Prices for feed molasses fell in the past financial year. Nordzucker achieved a slight increase in its volume of sales of pressed pulp to ca. 600,000 tonnes. Prices of this feed material remained stable in the past financial year.

MARKET FOR BIOETHANOL

SECTOR DEVELOPMENTS

Fuel mixing accounts for roughly two thirds of European demand for bioethanol, while industrial use and potable alcohol account for one third.

Demand for bioethanol for fuel mixing came to an estimated 4.3 million tonnes in 2017 in the EU and thus only slightly exceeded the local production volume of roughly 4.0 million tonnes; as in the previous year, the deficit was made up by imports. Despite increases in the biofuel quotas in several member states, demand only increased by 0.1 million tonnes by comparison with the previous year. In Germany, demand for bioethanol for fuel mixing fell to roughly 1.15 million tonnes, which represents a decline of two per cent on the previous year. This decrease was mainly attributable to the strong, 13 per cent decline in the use of ETBE (a fuel additive produced from refined ethanol) on the previous year; in 2016, this had increased by six per cent. The direct addition of bioethanol in petrol also declined in 2017, by 0.4 per cent. While demand for petrol increased by 1.8 per cent in Germany, ultimately this was unable to compensate for the reduced volume of bioethanol used as a fuel additive.

1.15
million tonnes
market volume of
bioethanol in Germany

Demand for ethanol in the traditional areas of industrial use and potable alcohol matched the previous year's level, with an estimated 2.3 million tonnes in Europe and 0.4 million tonnes in Germany.

The volume of supply and costs of bioethanol strongly influenced prices, while the level of European demand remained relatively constant. As in the previous year, in the 2017/2018 financial year prices of bioethanol for fuel mixing fluctuated very strongly, with a difference of almost EUR 200 per m^3 between the highest and lowest prices. This reflected production stoppages as well as the price trends for wheat, maize and sugar.

While prices in the fuel market were highly volatile, prices of ethanol for industrial use and potable alcohol were at a similar average level over the course of the year but were subject to considerably lower fluctuations due to longer-term contract structures in this segment.

BUSINESS PERFORMANCE

Nordzucker processes beet supplies in Germany to produce either sugar or bioethanol depending on the respective market situation. Due to the increase in sugar prices in the first half of the financial year, the volatile trend for bioethanol prices and impending maintenance work, in the 2017/2018 financial year the company reduced its volume of bioethanol production by 27 per cent on the previous year. Production was therefore suspended in the period from early May to late July.

Nordzucker markets bioethanol in the fuel market as well as in its traditional area of use as industrial alcohol. Germany remained the primary market for the company's sales of bioethanol, thus entailing reduced freight costs. The proportion exported to other European member states was at the same level as in the previous year. The proportion of bioethanol sold for fuel mixing declined from 85 per cent in the previous year to 75 per cent in the reporting period. In this segment, Nordzucker realized prices which matched the previous year's level in overall terms. On the other hand, in the 2017/2018 financial year the quantity delivered for industrial use and potable alcohol increased to 25 per cent of total sales (previous year: 15 per cent), while the overall volume of production declined. Prices fell here slightly on the previous year but exceeded the prices for bioethanol used for fuel mixing.

MARKET FOR SWEETENERS

SECTOR DEVELOPMENTS

The global demand for food and beverages sweetened with stevia (steviol glycosides) is continually growing. On the other hand, developments in the EU stagnated last year, meaning that they once again fell short of the original expectations. Although new products sweetened with stevia are still being developed and launched on the market, the number of new product launches in the EU and Germany is now on the decline. When the products that are currently still in the development phase achieve market readiness, the market volume, which is low at present, should gradually increase again, although the small number of new products could result in a lower growth rate.

BUSINESS PERFORMANCE

Nordzucker addresses the market for stevia sweeteners in Northern and Eastern Europe in a joint venture with the stevia producer PureCircle. The revenues of this joint venture (NP Sweet A/S) with regional European food and beverage customers in the 2017/2018 financial year matched the previous year's level; however, the company's development thus continued to clearly fall short of expectations.

GROUP CAMPAIGN RESULTS

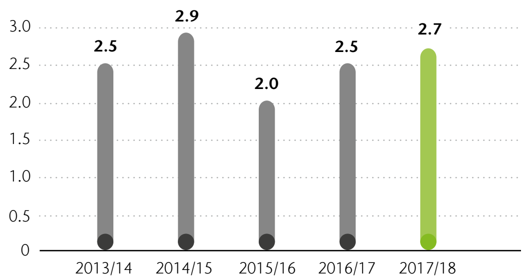
	BEET YIELD t/ha	SUGAR CONTENT %	SUGAR YIELD t/ha	CAMPAIGN LENGTH d
2017/2018	70.9	17.3	12.2	117
2016/2017	71.0	17.7	12.5	103

BEET CULTIVATION AND SUGAR PRODUCTION

Following punctual or even early sowing in Germany, below-average temperatures in the period from mid-April to mid-May slowed down the development of the sugar beet crop. This temporary growth deficit was made up for in Germany through above-average temperatures from mid-May onwards. In July, torrential rain in the German growing area resulted in regional flooding and the total loss of some beet cultivation areas. The consistently above-average level of soil moisture together with above-average temperatures resulted in the highest sugar yield in Germany since 2014, at 13.9 tonnes per hectare.

In the other Nordzucker countries, sugar yields were below the long-term average level, due to weather-related delays in sowing (Finland) as well as below-average temperatures and a significant dry period in the summer (Slovakia). Only in Poland was an average sugar yield achieved, with 11.9 tonnes per hectare. With the exception of Slovakia, the weather conditions during the campaign were challenging in all of Nordzucker's countries. Heavy rainfall before and during the campaign made the harvest and loading significantly more difficult. The partial inaccessibility of the soil and limited transport capacities in logistics meant that it was not possible to fulfil delivery schedules in some cases, which resulted in problems in terms of a consistently high level of processing. The average beet yield for the Group was 70.9 tonnes per hectare (previous year: 71.0 tonnes per hectare). The sugar content came to 17.3 per cent (previous year: 17.7 per cent), which represented an average sugar yield of 12.2 tonnes per hectare (previous year: 12.5 tonnes per hectare).

SUGAR PRODUCTION NORDZUCKER GROUP
in millions of tonnes



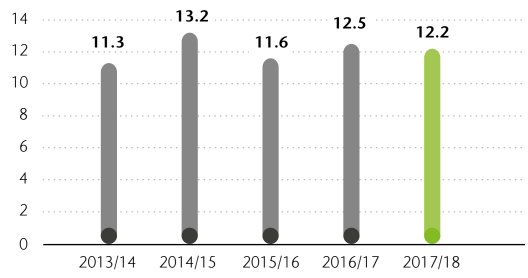
In the 2017/2018 period, the growing area increased to roughly 239,000 hectares by comparison with 2016/2017 (roughly 214,000 hectares). Across the Group during the 2017/2018 campaign, Nordzucker produced some 2.7 million tonnes of sugar from beet (previous year: 2.5 million tonnes). The campaign lasted for 117 days, which was much longer than in the previous year (103 days).

117
days of
sugar beet campain

Beet processing in the Nordzucker plants mostly went smoothly thanks to targeted investments and maintenance, despite the difficulties in the area of logistics. Beet growers and their service providers as well as beet delivery and production worked together outstandingly; despite adverse weather conditions (see page 43) and some problems with beet logistics, this meant that the campaign largely went smoothly. Nordzucker has a sophisticated and highly efficient system of beet logistics in all countries. It has systematically developed this system and continues to do so, taking country-specific requirements into account. In the 2017/2018 campaign in Germany, for example, new software ("AgriLog") was used very successfully to plan and carry out all beet logistics activities. In the next campaign, AgriLog will also be extensively introduced in Denmark and Sweden.

In Germany and Denmark, in the 2017/2018 campaign beet was produced and processed in accordance with EU basic regulation No. 834/2007 on organic farming. This is Nordzucker's way of reacting to the considerable increase in the demand for organic sugar produced from sugar beet.

AVERAGE SUGAR YIELD NORDZUCKER
tonnes per hectare



EARNINGS AND FINANCIAL POSITION AND NET ASSETS

EARNINGS POSITION

Compared with the previous year, profitability within the Nordzucker Group increased. This resulted primarily from the stable earnings position in the first three quarters of the financial year. In the final quarter, price decreases connected to the end of the sugar market regime (in its previous form) had a strong effect on profitability.

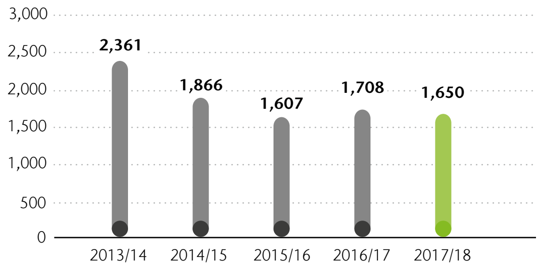
The company's profitability is measured using the key indicators RoCE, EBIT margin and net income for the period. RoCE, which reflects the ratio of EBIT (operating result) to the average capital employed came to 10.2 per cent in the reporting year (previous year: 8.5 per cent). This means that the company once again achieved its objective of at least earning the cost of capital.

The EBIT margin is calculated based on the ratio of EBIT to revenues, It came to 9.3 per cent in the reporting period (previous year: 7.7 per cent). Net income for the period amounted to EUR 117.8 million, compared with EUR 99.1 million in the previous year.

The key indicators of profitability used in the past also improved. The EBITDA margin is calculated by dividing EBITDA (operating result before depreciation, amortization and impairment) by revenues. It came to 13.8 per cent in the reporting period (previous year: 13.2 per cent), meaning that it fell just short of the target of 15.0 per cent. The return on sales, calculated as net income (after minority interests) divided by revenues, came to 7.0 per cent in the reporting year compared with 5.6 per cent the previous year. This was once again above the target of 5.0 per cent.

Revenues came to EUR 1,649.6 million, a decline of EUR 58.6 million on the previous year's figure of EUR 1,708.2 million. The fall in revenues was principally due to lower sales volumes for sugar.

CONSOLIDATED REVENUES
in EUR m



Revenues of EUR 1,366.7 million were generated with sugar. This corresponds to a decline of EUR 43.0 million (previous year: EUR 1,409.7 million). The fall in revenues was attributable to low volumes.

Revenues from the sale of bioethanol came to EUR 46.5 million, which was down considerably on the previous year's figure of EUR 64.9 million due to lower sales volumes and prices. Revenues from animal feed include revenues from the sale of molasses, dried pulp pellets and pressed pulp. At EUR 147.3 million, they were slightly lower than in the previous year (EUR 151.1 million). Other revenues increased from EUR 82.5 million to EUR 89.1 million.

Production costs declined from EUR 1,329.3 million to EUR 1,220.8 million in the reporting year. This mainly reflected declining sales volumes, reduced quantities of purchased sugar and lower beet prices following the end of the sugar market regime.

Sales costs of EUR 161.1 million were almost at the same level as in the previous year (EUR 160.1 million). Freight costs fell by EUR 2.7 million. However, personnel expenses and other costs of sales increased slightly, by EUR 1.6 million and EUR 2.8 million respectively.

10.2%
RoCE

9.3%
EBIT margin

117.8
million Euro net income

Administrative costs of EUR 74.9 million were also close to the previous year's figure of EUR 75.4 million. This slight decrease was mainly attributable to reduced personnel expenses.

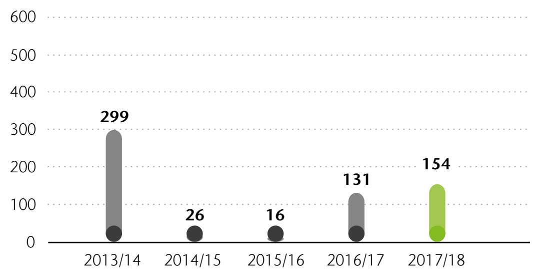
Production, sales, administrative and other expenses included personnel expenses of EUR 200.6 million (previous year: EUR 201.1 million) and EUR 69.5 million in impairment on property, plant and equipment and intangible assets (previous year: EUR 74.0 million). In particular, the slight decrease in personnel expenses reflected lower wages and salaries due to lower variable employee remuneration.

Other income came to EUR 23.1 million and was therefore well below last year's figure of EUR 34.8 million. This was mainly attributable to the significant decline in income from insurance and compensation payments in contrast to the previous year, the reversal of provisions, disposals of assets as well as other matters. Conversely, foreign currency gains increased considerably to EUR 13.3 million (previous year: EUR 2.4 million), but were also contrasted with significantly higher foreign currency losses in the amount of EUR 15.2 million (previous year: EUR 2.0 million) which were reported under other expenses.

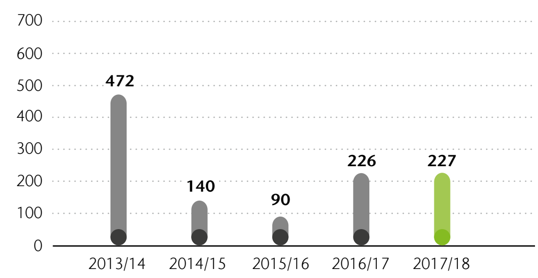
Other expenses came to EUR 62.3 million in the year under review and were therefore well above the previous year's figure of EUR 46.9 million. This was due in particular to a significant increase in expenses from additions to provisions.

In total, the Nordzucker Group reported an operating result (EBIT) of EUR 153.7 million, as against EUR 131.4 million in the previous year. The operating result before depreciation, amortization and impairment (EBITDA) came to EUR 227.2 million (previous year: EUR 226.2 million).

CONSOLIDATED EBIT
in EUR m



CONSOLIDATED EBITDA
in EUR m



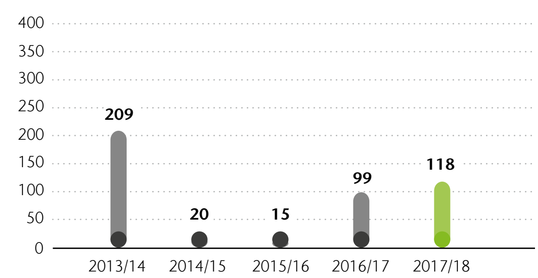
Financial income rose from EUR 6.7 million to EUR 9.6 million. Significantly higher investment income was received in the reporting period by comparison with the previous year.

Financial expenses are largely made up of interest and similar expenses. Finance costs increased year on year by EUR 1.1 million to EUR 10.4 million.

At 22.8 per cent, the tax ratio is almost unchanged by comparison with the previous year (22.9 per cent).

In total, Nordzucker reported net income before minority interests of EUR 117.8 million, as against EUR 99.1 million in the previous year. After deduction of minority interests, this resulted in consolidated comprehensive income of EUR 114.8 million, compared with EUR 96.4 million in the previous year.

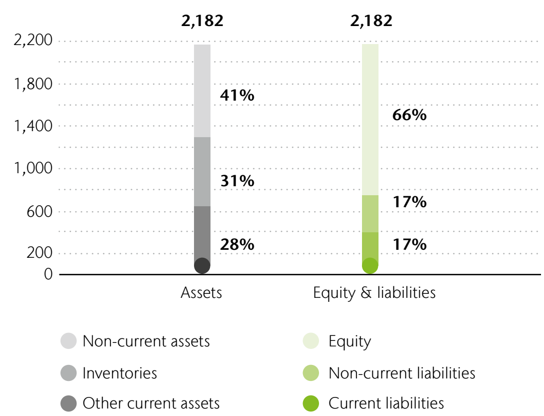
CONSOLIDATED NET INCOME
in EUR m



NET ASSETS POSITION

Total assets for the Nordzucker Group amounted to EUR 2,182.5 million at the end of the reporting year, an increase of EUR 65.6 million on the previous year's figure of EUR 2,116.9 million.

BREAKDOWN OF THE ASSETS AND LIABILITIES MAKING UP THE 2017/2018 BALANCE SHEET TOTAL
in EUR m



Intangible assets were up slightly at EUR 20.6 million (previous year: EUR 19.4 million).

In the reporting year, the Nordzucker Group invested EUR 85.2 million (previous year: EUR 81.2 million) in property, plant and equipment. Capital expenditure was offset by current depreciation and amortization of EUR 66.8 million (previous year: EUR 69.0 million) and other impairments of EUR 4.0 million (previous year: EUR 20.2 million). Overall, property, plant and equipment increased by EUR 9.7 million, from EUR 821.1 million in the previous year to EUR 830.8 million.

See page 100

Financial investments came to EUR 29.4 million and were therefore roughly on a par with the previous year's figure of EUR 30.6 million.

Inventories fell slightly, by EUR 5.4 million to EUR 683.5 million (previous year: EUR 688.9 million). At EUR 52.4 million, raw materials, consumables and supplies were virtually at the same level as in the previous year (EUR 52.0 million). Unfinished goods and services increased by EUR 11.6 million to EUR 46.0 million. Finished goods and merchandise fell by EUR 17.3 million to EUR 585.1 million.

Current receivables and other assets were EUR 79.0 million higher, at EUR 303.4 million compared with EUR 224.4 million in the previous year. Trade receivables and receivables from related parties were roughly stable at EUR 147.2 million, compared to EUR 149.6 million. Current income tax receivables amounted to EUR 1.8 million (previous year: EUR 2.1 million).

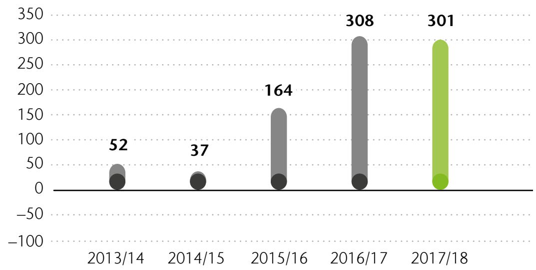
65.5%

Equity ratio well above the target of 30%

Current financial and other assets increased by EUR 81.6 million to EUR 154.3 million. This was mainly due to investments in current securities in the amount of EUR 80.0 million in the reporting period (previous year: EUR 35.0 million).

As of the reporting date, cash and cash equivalents exceeded financial liabilities by EUR 301.0 million (previous year: EUR 308.3 million).

NET DEBT (–)/ INVESTMENT (+)
in EUR m



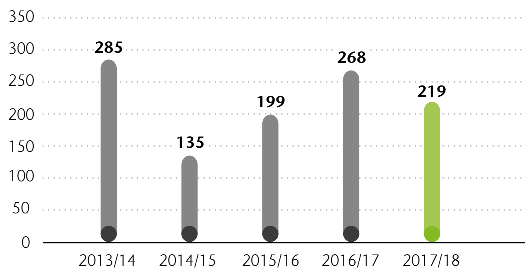
Equity rose by EUR 54.5 million in total to EUR 1,429.0 million (previous year: EUR 1,374.5 million). Consolidated net income for the period increased equity by EUR 117.8 million (previous year: 99.1 million). However, equity was reduced by other income of EUR –6.4 million recognized in other comprehensive income and in the statement of comprehensive income (EUR 2.2 million from the remeasurement of defined benefit plans after adjustment for deferred taxes and EUR –8.6 million from other matters). In the previous year, other comprehensive income had included a result of EUR 4.5 million (EUR 5.0 million from the remeasurement of defined benefit plans after adjustment for deferred taxes and EUR –0.6 million from other matters). Equity was also diminished by the payment of dividends amounting to EUR 56.9 million (previous year: EUR 5.0 million) to shareholders of Nordzucker AG and minority shareholders. The equity ratio was 65.5 per cent, and thereby once again up slightly on the previous year (64.9 per cent). The figure was again well above the Group target of 30.0 per cent.

Non-current provisions and liabilities rose to EUR 381.0 million (previous year: EUR 359.0 million). The total includes non-current provisions of EUR 297.2 million (previous year: EUR 271.9 million), of which EUR 216.1 million (previous year: EUR 217.6 million) are for pension obligations. Non-current liabilities consist mostly of deferred tax liabilities, which fell from EUR 75.0 million to EUR 71.6 million in the reporting year.

Current provisions and liabilities decreased from EUR 383.4 million to EUR 372.5 million. In particular, trade payables of EUR 215.6 million were down on the previous year (EUR 222.7 million). At EUR 35.3 million, financial and other liabilities matched the previous year's level.

FINANCIAL POSITION

CASH FLOW FROM OPERATING ACTIVITIES
in EUR m



Cash flow from operating activities of EUR 218.7 million was much lower than in the previous year (EUR 267.8 million). In particular, this decrease resulted from a reduced decline in working capital by comparison with the previous year. On the other hand, consolidated net income for the period increased.

Cash flow from investing activities came to EUR –169.1 million, which was once again up considerably on the previous year (EUR –118.9 million). Investments in property, plant and equipment and intangible assets increased on the previous year, rising from EUR 85.7 million to EUR 90.2 million. Nordzucker also invested cash and cash equivalents with a net volume of EUR 80.0 million (previous year: EUR 35.0 million) in current securities.

Cash flow from financing activities amounted to EUR –64.4 million in the reporting year, compared to EUR 1.2 million in the previous year. The higher cash outflow by comparison with the previous year mainly resulted from the significantly higher dividend payment to the shareholders of Nordzucker AG.

The free cash flow, i.e. the total of cash flow from operating activities and cash flow from investing activities, came to EUR 49.6 million and was thus significantly lower than the prior-year value (EUR 148.9 million).

As of 28 February 2018, cash and cash equivalents amounted to EUR 306.9 million (previous year: EUR 321.8 million). Including current securities investments which the company also enters into for the investment of liquidity, cash and cash equivalents available on a short-term basis increased to EUR 421.9 million (previous year: EUR 356.8 million).

OVERALL ASSESSMENT OF EARNINGS AND FINANCIAL POSITION AND NET ASSETS

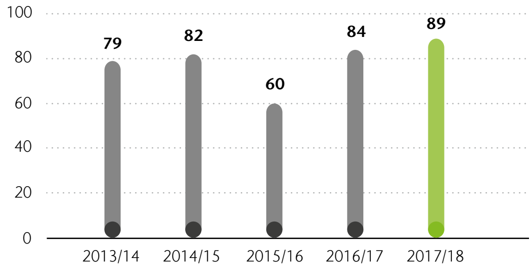
Nordzucker improved all of its key earnings figures in the 2017/2018 reporting year. RoCE came to 10.2 per cent as against 8.5 per cent in the previous year. The EBIT margin came in at 9.3 per cent (previous year: 7.7 per cent). Net income for the period amounted to EUR 117.8 million, compared with EUR 99.1 million in the previous year. The EBITDA margin came to 13.8 per cent (previous year: 13.2 per cent). The significantly improved earnings level by comparison with the previous year was attributable to the stable earnings development in the first three quarters of the financial year.

13.8%
EBITDA margin

The Nordzucker Group's net assets and financial position, which was already considered to be good in previous years, also improved further in the 2017/2018 reporting year. The equity ratio increased again and now amounts to 65.5 per cent. As of the end of the reporting period, the company once again had virtually no financial liabilities (EUR 5.9 million). Cash and cash equivalents once again significantly exceeded financial liabilities, by EUR 301.0 million. Cash flow from operating activities was at a very high level of EUR 218.7 million. Cash flow from investing activities came to EUR –169.1 million. This brings the resulting free cash flow to EUR 49.6 million.

CAPITAL EXPENDITURE

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



88.9
million Euro property, plant and equipment and intangible assets

Nordzucker invested EUR 88.9 million in property, plant and equipment and intangible assets in the 2017/2018 financial year (previous year: EUR 84.3 million). As in the previous year, the focus was on measures aimed at increasing efficiency, meeting regulatory requirements and replacing existing assets. The company's key investments related to the completion of its white sugar silo in Örtofta and a further silo in Clauen, the installation of two new pulp presses in Örtofta and one in Nordstemmen, the transfer of two pulp presses from Uelzen to Chelmza and the renewal of a stage of the evaporation plant with a falling-film evaporator as well as the commissioning of a packaging machine in Kėdainiai. Further projects have been initiated, such as the construction of a white sugar silo in Chelmza, the replacement of the beet pre-wash drum and a cosset mixer in Örtofta for the 2018 campaign as well as the modernization of the control technology in Nyköbing. In addition, Nordzucker has launched a multiple-year programme in Sweden with the goal of delivering increased efficiency and the long-term concentration of production at its Örtofta plant. In the first construction phase, the sugar house will be renovated by the 2019 campaign.

There were investment commitments of EUR 14.0 million as of the end of the reporting period (previous year: EUR 16.7 million). These commitments will be financed by cash flow from operating activities.

FINANCING

RESPONSIBILITIES AND OBJECTIVES OF FINANCIAL MANAGEMENT

The main responsibilities of Nordzucker's financial management are to manage and control flows of funds for the entire Group on the basis of clearly defined criteria. The main aim is to ensure that sufficient liquidity is available 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, 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 March 2014, Nordzucker took out a new syndicated loan. This loan gave the company much greater latitude for entrepreneurial activities than the previous arrangement. The original term of the loan was five years initially.

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 the loan agreement. Banks use them as a tool to identify and avoid risks at an early stage by drawing conclusions from the figures about the company's financial position. For Nordzucker, these have been defined at the Group level. Compliance with the covenants is monitored internally on a continual basis and reported to the banks at defined intervals.

In the 2017/2018 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.

For the risks see also the report on the risk management on pages 115 et seq.

In March 2016, Nordzucker exercised the contractually agreed extension option regarding an increase in the term by a further two years until March 2021. This means that Nordzucker AG now has access to credit facilities amounting to EUR 344.5 million until March 2019, and then EUR 312.6 million up to March 2021.

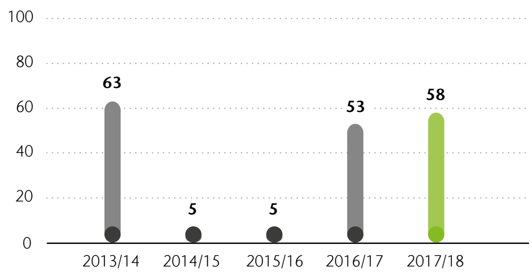
An ABS programme to sell trade receivables was also arranged in 2015/2016 as an alternative source of funding for the Nordzucker Group. This ABS programme enables Nordzucker to sell receivables of Nordzucker AG and its operating subsidiaries on a non-recourse basis. It therefore constitutes a "true sale," which provides the company with cash and transfers the receivables from the balance sheet.

Thanks to the operating cash flows achieved over the last few 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 421.9 million including securities not reported as cash and cash equivalents). These funds will allow the company to implement its growth strategy in the coming years. At the same time, they give the company sufficient reserves to hold its ground on the market and to defend its market share even if prices drop considerably. 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. Ideally, interest-bearing securities should mature before the end of the financial 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

A proposal will be put forward at the Annual General Meeting of Nordzucker AG by the Executive Board and the Supervisory Board to distribute a dividend of EUR 1.20 per share of share capital for the 2017/2018 reporting year. This corresponds to a total dividend distribution of EUR 58.0 million. This means that shareholders will once again receive an appropriate return on their capital employed, allowing them to participate in the good results achieved in the financial year.

TOTAL DIVIDENDS, NORDZUCKER AG
in EUR m



EMPLOYEES

EMPLOYEE STRUCTURE

The Nordzucker Group had an average of 3,234 employees in the reporting year, which roughly matched the previous fiscal year's level (3,236 employees).

A look at the workforce by country shows slight changes in recent financial years. The number of employees has decreased slightly in the Scandinavian countries. The numbers are relatively constant in the Eastern European countries, while a slight increase has taken place in Germany.

Around 60 per cent of the workforce are employed in Eastern and Northern Europe, with some 40 per cent working in Germany.

EMPLOYEES IN THE FINANCIAL YEAR

Annual average	2017/18	2016/17	2015/16
Total company	**3,234**	3,236	3,206
Germany	**1,320**	1,292	1,262
Denmark	**458**	477	487
Sweden	**385**	397	395
Poland	**335**	333	332
Finland	**273**	276	273
Lithuania	**245**	252	246
Slovakia	**206**	196	196
Ireland	**9**	10	11
Latvia	**3**	3	4

The proportion of women employed by the Nordzucker Group has fallen slightly, to 20.9 per cent.

The proportion of women in management positions currently stands at 17 per cent. To comply with the Act on Equal Access by Women and Men to Management Positions in the Private and Public Sectors, Nordzucker continues to promote the recruitment of female managers.

PROPORTION OF WOMEN EMPLOYED (PERMANENT STAFF)

% at the end of February	2018	2017	2016
Total company	**20.9**	21.3	21.5
Germany	**18.7**	19.0	18.9
Denmark	**33.7**	35.3	35.7
Sweden	**14.5**	14.6	14.2
Poland	**21.8**	22.8	24.0
Finland	**20.0**	20.1	19.9
Lithuania	**22.8**	21.2	22.9
Slovakia	**25.0**	24.7	24.6
Ireland	**37.5**	50.0	50.0
Latvia	**100.0**	100.0	100.0

The age structure at Nordzucker shows an increasingly high proportion of employees over the age of 50. The increase in the statutory retirement age in some European countries will mean that our staff will stay in employment longer. Nordzucker is systematically preparing for the demographic change and the employment of older employees. The company is working on the essential transfer of knowledge and has a long-term succession plan in place to ensure the necessary transfer of expertise. The expected retirement dates are calculated by means of simulations, as the basis for targeted succession planning. Nordzucker has a clear roadmap for the future – for this reason, in August 2017 the federal state of Lower Saxony awarded the certification "Demografiefest. Sozialpartnerschaftlicher Betrieb" to show that Nordzucker is demographically sound and a company that values social partnership.

EMPLOYEES BY AGE GROUP (PERMANENT STAFF)

% at the end of February	2018	2017	2016
> 60	**12.0**	9.9	8.8
51–60	**37.5**	37.7	38.2
41–50	**23.2**	25.4	26.6
31–40	**16.4**	16.5	15.9
up to 30	**10.9**	10.5	10.6

The average period of employment in the Nordzucker Group remains very high. 56.2 per cent of employees have been with the company for at least 16 years and actually 40 per cent have spent at least 26 years with Nordzucker. Nordzucker is an attractive employer, its employees are highly satisfied and the level of fluctuation in the Group remains low.

PERIOD OF EMPLOYMENT IN YEARS (PERMANENT STAFF)

% at the end of February	2018	2017	2016
> 35	**17.5**	14.3	13.3
26–35	**22.5**	23.1	23.8
16–25	**16.2**	20.3	17.4
6–15	**24.9**	25.7	26.5
0–5	**18.9**	16.6	19.0

EFFECTIVE PERSONNEL DEVELOPMENT

Qualifications, professional training and development play an important role in the company. Nordzucker focuses on apprenticeship as a proven, successful cornerstone of personnel development. In Germany, a total of 88 trainees were undergoing training as electricians (for industrial engineering) and as industrial mechanics at Nordzucker in 2017, with a continuing upward trend. In the last three years, the number of trainees being hired as permanent employees in Germany after completing their training has almost doubled. In recent years, Nordzucker has received various prizes and awards for its successful measures to promote young talent as a result of its particular dedication to vocational and professional training. Training also plays a key role at the Group's European sites. Nordzucker has 30 trainees in Denmark and eight trainees in Poland, and here too these figures are increasing.

It is the company's stated aim to prepare the entire Nordzucker workforce for the challenges of the international sugar market and to provide them with effective support in adapting to the new requirements. Nordzucker sees personnel development as an ongoing learning and development process and offers a whole range of personnel development measures throughout the company. The "Sugar Academy," an internal professional training programme in Germany, was introduced in all of the Group's countries in 2017. This expanded concept promotes employees' development as well as networking that transcends national borders, while strengthening the "One Company" philosophy. By expanding the scope of its international skill-building initiative, Nordzucker is developing a targeted, company-wide training system to develop employees' skills and capabilities. In future, as part of the Sugar Academy country-specific training courses will be held in the local language while international courses will be held in English.

The Sugar Academy's courses cover a broad range of topics, such as specialist and management issues, self-management, communications and sector-specific areas of knowledge. For some years now, the company has continuously focused on corporate health management measures. The workforce makes intensive use of workshops and seminars regarding stress management, mindfulness training, nutrition and exercise.

Learning from each other, developing and broadening horizons – this is something that Nordzucker also promotes by giving employees the opportunity to take part in national and international exchange projects, or "job rotations". Employees spend a certain period working on cross-divisional and cross-country pilot projects in other countries and cultures, an experience that promotes both their personal development and their professional skills.

Value-oriented leadership is another focal point of personnel development at Nordzucker. The aim of the long term Leadership Development Process which was launched in 2016 is to further prepare all of the company's management levels and, on a step-by-step-basis, its entire workforce for the challenges and market changes that lie ahead. The modules that form part of the development process focus on core issues such as communication, self-reflection, self-perception and outside perception, as well as team development. This raises awareness and makes employees more open to change, thereby enabling Nordzucker to become even stronger, more efficient and more effective.

Due to the company's holistic focus on employees, Nordzucker achieved first place in the 2017 Focus Money survey "Top career opportunities" in the "Food production" industry. At the same time, Nordzucker was awarded as one of "Germany's best training companies 2017". Excellent working conditions, modern working-time models and social benefits are also the reason why Nordzucker was awarded "Best employer 2017" in Germany.

From Nordzucker's perspective, these awards are another public component in the company's quest to attract well-trained, excellent applicants and in addition the awards certify that a focus on employees andemployee retention are a top priority. But the high levels of employee satisfaction, which are also apparent in terms of the above-average period of employment and low staff turnover levels, are even more important to Nordzucker.

HOLISTIC APPROACH – FOCUS ON EMPLOYEES

Nordzucker facescontinuous changes and rising demands on employees and employers with a holistic and constantly evolving concept that focusses on the employee. A diverse and alignedpackage of measures and services is offered with the aim of enabling employees to stay healthy, fit and active and to achieve a better work-life balance. The focus throughout the Group is on prevention as well as promoting and maintaining health.

Workplace ergonomics is one of the core aspects of corporate health management. Workplace design and functionality are reviewed and analysed in order to evaluate necessary improvements. As employees spend a large part of their time at work, the functionality of their work places has a key impact on their health, effectiveness and satisfaction. The aim is to prevent any health complaints or to alleviate any existing complaints.

Continuous communication with employees serves as the basis for the selection and structuring of the measures being offered. A process of frequent exchange makes it possible to recognize needs in order to establish targeted activities that provide long-term success. This holistic approach does not only reflect our duty of care and social responsibility as an employer, it foremost shows our appreciation for our staff.

To ensure ongoing and best development of our employees' abilities and potentials, Nordzucker has introduced a Group-wide talent management process. This strategic approach will boost the company's ability to compete on a long-term basis and it will promote the personal development of individual employees. In addition, the talent management process will enable and promote the networking of talents in the Group's various countries. Nordzucker is meeting the constantly rising demands in an increasingly competitive market environment through focused support for these talented individuals. A diversified approach focuses on developing talents at all hierarchical levels.

NORDZUCKER LIVES AND BREATHES DIVERSITY

Nordzucker is present in nine countries in Europe and benefits from its international workforce. Cultural diversity is a key asset and helps us to pick-up on customers' particular needs and expectations and to further strengthen our market presence. Different perspectives result in creative new solutions and promote individual learning. Employees' development prospects depend solely on their skills, not on their nationality, ethnic origin, gender, religion, politics, disability, age or sexual identity. Its different sites in Europe and the diversity that comes with it, mean that With all its different sites in Europe and increasing diversity, Nordzucker understands it as a clear commitment to support and promote openness and cultural expertise.

To comply with the Act on Equal Access by Women and Men to Management Positions in the Private and Public Sectors, the Supervisory Board and Executive Board of Nordzucker AG have taken the following decisions, bearing in mind the company's specific situation, in particular its business, size, proportion of international business, diversity and the current service contracts of the Executive Board members:

By 30 June 2017, the targets for the proportion of women on the Supervisory Board were to be at least 19 per cent and on the Executive Board 0 per cent. As of 30 June 2017, there were five women on the Supervisory Board, which corresponds to a proportion of 23.8 per cent. This target has thus been met. As of 30 June 2017, the Supervisory Board consisted of a total of 21 members, with 14 representing the shareholders and seven being elected by the employees. There were no women on the Executive Board on 30 June 2017.

At its meeting held on 9 March 2017, the Supervisory Board of Nordzucker AG set the following targets for the future proportion of women on the Executive Board and the Supervisory Board: By 30 June 2022, the targets for the proportion of women on the Supervisory Board are at least 25 per cent and on the Executive Board 0 per cent.

As of the close of the Annual General Meeting in which votes were cast on discharging the boards for the 2016/2017 financial year, the Supervisory Board was reduced to 15 members. Of these members, ten are drawn from the ranks of the company's shareholders and five from the ranks of the employee representatives, who were likewise newly elected in 2017. Three women currently serve on the Supervisory Board, which corresponds to a ratio of 20 per cent – i.e. roughly in line with the proportion of the company's female workforce. There are currently no women on the Executive Board.

For the first level below the Executive Board, a target of ten per cent of female managers was to be achieved by 30 June 2017. For the second level – managers with employee responsibility – the target was 20 per cent. As of this date, the proportion of women at the first level of management below the Executive Board was 11.1 per cent throughout the Group and 14.3 per cent throughout Germany. The target for the first level of management below the Executive Board was thus met. At the second level below the Executive Board, as of 30 June 2017 the proportion of women came to 19.5 per cent for the Group as a whole, and 18.0 per cent for Germany. The company thus slightly fell short of this target.

The Executive Board of Nordzucker AG has also set the following targets for the future: for the first level below the Executive Board, a target of 15 per cent of female managers should be achieved by 30 June 2022. For the second level – managers with employee responsibility – the target is 21 per cent. As of the end of the financial year, the proportion of women at the first level of management below the Executive Board was 10.0 per cent throughout the Group and 13.0 per cent throughout Germany. At the second level below the Executive Board, the proportion of women comes to 18.8 per cent for the Group as a whole, and 17.6 per cent for Germany.

The company promotes the equality of women and men in all areas and at every hierarchical level. The ability to reconcile family and work life remains a decisive criterion when choosing an employer. Since 2011, Nordzucker has supported its staff with a sustainable and varied concept for work-life balance, which, among other things, enables a straightforward and prompt return to work after parental leave.

OPPORTUNITIES AND RISKS

RISK MANAGEMENT

PRINCIPLES OF RISK MANAGEMENT

Risk management is a central aspect of corporate governance in the Nordzucker Group. In order to take into account the changes on the European sugar market and the increasing level of volatility in individual markets, risk management is being continuously expanded within the Nordzucker Group. The purpose and aim of risk management is to identify risks resulting from business activities at an early stage, to evaluate them and to manage them consistently. 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. Nordzucker's risk management system meets the requirements set out in the Law on Control and Transparency in Business (KonTraG).

STRUCTURE OF THE RISK MANAGEMENT SYSTEM

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

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

RISK MANAGEMENT

The risk management function discusses at regular intervals the progress made in implementing the defined steps to manage risk with the different departments 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 different 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. As well as audits carried out on the basis of annual risk-oriented audit planning, the Internal Audit department also carries out ad hoc checks. The Internal Audit department also offers advice, such as on drawing up guidelines, optimizing business processes or continuously improving the Nordzucker Group's internal control system. It answers directly to the Speaker of the Executive Board and reports regularly to the Executive Board and to the Supervisory Board's Audit and Finance Committee. This reporting comprises the status of internal audits, the key findings of the audits as well as the implementation status of the agreed activities.

To ensure compliance with rules and laws, the role of a compliance coordinator has been 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 makes people neither fat nor ill but 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 discussion about sugar has become more virulent, and the matter is also being keenly debated outside of Europe. This is why food manufacturers are working to reduce the content of sugar in their food. Some countries have already imposed a tax on sugary foods, while others are debating its introduction.

In spite of this, 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 and intensively at national and EU level, as well as through the activities of industry associations, to provide information about the effect of sugar in food and about the links between sugar and a balanced diet as part of a healthy lifestyle. This is intended to inform politicians and consumers clearly, objectively and on the basis of scientific findings, about the interrelationships.

OPPORTUNITIES RESULTING FROM THE DEMAND FOR SUGAR

Population growth and greater prosperity, particularly in emerging markets, are behind a long-term global trend towards higher sugar consumption. This increase in demand will require the sustained expansion of global production capacities and will support long-term developments in the price of sugar. Sugar consumption is expected to pick up in Asia, Africa and Latin America in particular. Worldwide, the growth rate is expected to average 1.5 to two per cent per year. Like all European manufacturers, Nordzucker hopes that this growth trend will open up export opportunities and make investments in sugar attractive outside of Europe, too.

RISKS RESULTING FROM THE EXPIRY OF THE PREVIOUS SUGAR MARKET REGIME

In June 2013, the member states of the EU, the European Parliament and the European Commission decided to extend the decades-old sugar market regime in its previous form until the end of the 2016/2017 sugar marketing year on 30 September 2017. Up to this point, it had served as the operating framework for the EU sugar industry.

The European Commission has largely fleshed out a legal framework for the period without a quota system and minimum prices. The relevant rules have been reviewed and adjusted where appropriate.

What is more, a number of EU member states decided to subsidize sugar beet cultivation through coupled direct payments. This essentially means that they will be protecting cultivation in their own countries. Because the same competitive conditions apply to all European producers, these member states are not permitted to increase their area under cultivation.

At the beginning of the 2017/2018 sugar marketing year, the main building blocks of the existing sugar market regime – the quotas for sugar and isoglucose, as well as the minimum price for sugar beet – were abolished. The end of the quota system also meant the end of the WTO export limit, presently set at 1.37 million tonnes.

The abolition of quotas for sugar and isoglucose already had a considerable advance impact on the EU sugar market. A number of European competitors have purchased much larger quantities of beet for the period following the abolition of the quotas. Greater supplies of sugar are increasing competition, and this has led to crowding out among European sugar producers, which can be expected to continue. Competition between sugar and isoglucose will probably also be tougher in future, because quotas for the latter are also being abolished along with the sugar quotas. The European Commission and other market observers anticipate that a larger volume of isoglucose will be marketed in the EU in future. Securing sufficient quantities of beet at competitive prices in the long term will play an even greater role in this environment (see section "Securing raw materials"). At the same time, a market without quotas and export restrictions offers competitive providers the chance to boost their sales not only in Europe, but also in the export business.

As far as the EU sugar producers are concerned, developments in the future relationship between the EU and the United Kingdom will also prove to be highly significant. On 29 March 2017, the United Kingdom notified the European Council of its intention to withdraw from the European Union on 29 March 2019, in accordance with Article 50 of the Treaty on European Union. In December 2017, the heads of state and government of the EU 27 resolved that sufficient progress had been made in the first phase of the negotiations setting out the UK's financial obligations to the EU, the future rights of EU citizens and the border between Ireland and Northern Ireland.

The subsequent second phase is due to negotiate the transitional arrangements as well as the framework for the future relationship with the United Kingdom. The transitional period will expire on 31 December 2020.

The UK produces around 1.2 million tonnes of sugar per year and consumes 2.2 million tonnes annually, making it a net importer. In the period between 2011 and 2016, the EU 27 exported roughly half a million tonnes of sugar to the United Kingdom per year. Conversely, the EU 27 imported around 0.2 million tonnes of sugar per year from the United Kingdom. The United Kingdom's exit from the EU will result in it losing access to all EU free trade agreements. If the EU and the UK cannot agree on a separate trade agreement, British trade relations with the EU will be subject to WTO rules, including their regulations on import duties, in the future. Brexit could result in a change in British trade policy and see the United Kingdom open its market more to raw cane sugar from third countries, thereby taking export opportunities away from continental European providers.

Due to the abolition of quotas, the increased level of competition, overproduction and price pressure, the current market situation is challenging for the entire industry. To address these issues, efficiency increases in all areas are a key focus for Nordzucker.

This includes increasing efficiency in sugar beet cultivation. Over the last few years, beet cultivation yields have already been significantly increased by means of joint measures implemented by Nordzucker and beet growers. Through the FORCE efficiency programme that was launched in 2015, savings and efficiency gains were achieved within all of the company's other functions and at all of its sites. The goal of achieving savings of around EUR 50 million was fulfilled as the end of the 2017/2018 financial year, after this project had been implemented for a period of three years. In order to make this possible, Nordzucker has used lean management methods since 2015. This facilitates permanent improvements in workflows, both in production as well as in supporting units. The systematic use of lean management will enable Nordzucker to achieve further improvements in the efficiency and quality of all processes in the future.

In order to prepare employees for the revised challenges of the market, an extensive process of change has been launched throughout the entire company. The continued development of the company culture requires the involvement of all staff who are actively engaged in the change process. In this way, all areas of the company have addressed the expected changes and prepared themselves intensively for the period after the expiry of the previous sugar market regime.

OPPORTUNITIES RESULTING FROM THE EXPIRY OF THE PREVIOUS SUGAR MARKET REGIME

In this environment, due to the size of the company, its solid financing and its consistent focus on customer benefits and efficiency, Nordzucker considers itself well positioned in order to exploit the resulting opportunities.

The company's strong position on the European market and the wide-ranging efforts to become more competitive will open up new market opportunities, both in Europe and in export markets, when the quota system comes to an end. In Europe, Nordzucker is working on securing and expanding its current market shares in the long term and plans to exploit the expected process of consolidation within the industry in order to achieve further growth. The end of the quota system likewise meant the end of the restriction on export volumes from the EU. The acquisition of a stake in August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG has allowed Nordzucker to strengthen its market expertise and logistics capabilities for exports. This will give rise to significant market opportunities for sugar exports.

RISKS RESULTING FROM WTO NEGOTIATIONS

At its ministerial conference held in Bali in December 2013, the members of the World Trade Organization (WTO) agreed to continue the liberalization of trade. Building on this, the WTO member states voted at the Nairobi Conference, held from 15–19 December 2015, to abolish export subsidies for agricultural goods five years earlier than originally planned. The deadline of 30 September 2017 was defined for phasing out export subsidies for EU sugar. However, as EU sugar exports are no longer considered to be subsidized as of 1 October 2017, this agreement has not had any effects on the EU sugar industry. Export subsidies in developing countries are to be abolished by the end of 2018, although export subsidies for transport, freight and marketing may still be granted until the end of 2023. As a result, the Nairobi agreements did not have any impact on sugar trade between the EU and the LDCs; the EU already meets all of the requirements.

Where things will go from here is uncertain. The WTO ministerial conference held in Buenos Aires in December 2017, which followed on from Nairobi, failed to deliver any tangible results. This was mainly due to the obstructive attitude of the USA and India. The negotiations are currently deadlocked.

Maintaining import duties is of vital importance for the European sugar sector. 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 than is already the case given the changes that will take place from 2017. Import duties protect the European sugar industry from imports in excess of those volumes that enter the European market at reduced rates or duty-free via preferential agreements with least developed countries (LDC) or, increasingly, also via bilateral trade agreements. 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 THE EU'S FREE TRADE AGREEMENTS

Free trade agreements are becoming more and more important for the European Union. Trade agreements signed in recent years with Moldova, Georgia, Ukraine, Columbia, Peru, Panama, Ecuador, states in Central America and South Africa enable annual duty-free sugar imports of more than 500,000 tonnes. Trade agreements including further import quotas for sugar and products containing sugar have already been negotiated with Canada, Vietnam, Singapore and Japan. However, these agreements have not yet come into effect. Behind these negotiated agreements are more import quotas (amounting to a total of 95,000 tonnes), plus the gradual reduction of duties for white and raw sugar.

Negotiations are under way with further countries such as Egypt, Azerbaijan, the Gulf states, India, Indonesia, Japan, Jordan, Kyrgyzstan, Malaysia, Morocco, Mexico, the Philippines, Thailand and Tunisia. Particularly important for the EU sugar market are the negotiations with the MERCOSUR states of the South American economic area. As the world's largest sugar exporter, Brazil, in particular, is pressing for an import quota for sugar and ethanol. The negotiations on a transatlantic free trade agreement with the US remain frozen. The protectionist trade policy supported by the American president could also have an impact on trade relations between other countries as well as on the negotiations on future EU free trade agreements.

Nordzucker is addressing the developments resulting from the WTO negotiations as well as the risks arising from free trade agreements with steps to further increase its competitiveness, as outlined in the "Risks resulting from the expiry of the previous sugar market regime" section.

RISKS RESULTING FROM PROCUREMENT AND PRODUCTION

RISKS ASSOCIATED WITH SECURING RAW MATERIALS

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

One important long-term element of securing raw materials is the 20·20·20 yield improvement programme. Nordzucker has set itself the Group-wide target of achieving a sugar yield of 20 tonnes per hectare with the top 20 per cent of growers in 2020. This programme is very important for safeguarding the relative attractiveness of sugar beet cultivation compared with other arable crops, especially given the volatility of agricultural markets. To reach this target, Nordzucker is working closely with growers, research institutes, agricultural associations and other companies in the value chain.

Nordzucker signs supply contracts with the beet growers well in advance in order to secure the necessary volumes. Various supply contract models were offered to growers in all countries for 2018/2019. These have different contractual terms and there are fixed-price models as well as models with prices linked to sugar prices/EBIT. Thanks to the conclusion of these market-driven supply contracts, the company believes that it is very well equipped. In Germany, contract volumes offered for the 2018/2019 campaign within the scope of the delivery rights were significantly oversubscribed. For this reason as well as others, Nordzucker has signed an additional supply contract for a small volume of beet at a lower beet price.

The price of sugar has come under strong pressure in the current 2017/2018 sugar marketing year. In the beet delivery contracts whose prices are tied to the sugar price, this will result in beet prices which are significantly lower than those expected by the growers.

RISKS RESULTING FROM ENERGY PRICES

The production of sugar requires energy in the form of raw materials such as natural gas, coal or crude oil, the prices of which are generally subject to fluctuations. In addition to the risk of changes in the price, there is also a risk that the volumes required for production are not available in time (production downtime risk). To a certain extent, Nordzucker mitigates the risk of price changes by means of hedging transactions and long-term supply contracts. It invests in energy-efficient machinery and equipment in order to reduce energy consumption. It also reduces the risk of production downtime by pursuing a forward-looking procurement policy and by establishing long-term supplier relationships.

RISKS RESULTING FROM THE SUPPLIER PORTFOLIO

Given the limited number of suppliers and an ongoing process of concentration among them, there is a risk of increased dependence. Moreover, suppliers' and service providers' growing lack of specialists is resulting in increasing time pressure. This may give rise to problems in relation to delivery dates and the production process as well as price increases.

To ensure that Nordzucker is able to ensure low-cost access to key materials at all times, cooperation has been intensified with the departments that consume supplies, in order to determine purchasing requirements in good time and to optimize 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 thus to have several suppliers in principle, for all critical goods and services to be purchased; if necessary, new additional suppliers have to be identified, evaluated and developed.

RISKS RESULTING FROM LONGER CAMPAIGNS

In order to boost productivity, the possible length of the campaign has generally been increased in the plants since 2009 to an average of 120 days. The Opalenica plant in Poland had the longest campaign in the 2017/2018 financial year, at 137 days, while Säkylä in Finland had the shortest, at just 60 days. The average plant campaign duration came to 117 days, up by 14 per cent on the previous year. Longer campaigns entail two risks. One is that the onset of winter weather can severely hamper beet harvesting, logistics and processing. The other is that longer campaigns make production downtime more likely. Nordzucker has therefore taken wide-ranging precautions both in the field and in the plant to minimize these risks. In recent years, for example, the beet's vulnerability to frost has been reduced. Nordzucker has also improved the technical processes in the plants to ensure they are adapted as well as possible to processing beet which may have frost damage.

However, this year the fact that other weather conditions can likewise cause significant problems for a plant has once again been evident. Recurrent rainfall throughout almost the entire campaign has resulted in difficulties in processing, both in terms of bottlenecks in the supply chain for plants due to difficult harvesting and/or transportation conditions and the delivery of beet with a significantly increased soil tare. This also entails increased need for maintenance. In order to implement targeted measures within the scope of the company's long-term maintenance strategy, increased use of diagnostic and monitoring systems is a key area of focus. These systems are available to Nordzucker thanks to the ongoing development of automation technology.

Continuous status monitoring in connection with the permanent recording of measurement data not only enables targeted maintenance and the identification of vulnerabilities but also improved use of equipment, while enabling the identification of changes in the process early on. For instance, maintenance intervals can thus be extended or maintenance work even avoided entirely.

ENVIRONMENTAL RISKS

Sustainable and environmentally friendly production is an integral part of Nordzucker's corporate strategy. Its value chain is designed for the conversion of all of the materials delivered into valuable products: beet is converted into sugar, pressed pulp, dried pulp pellets and molasses, limestone with non-sugar substances is turned into carbolime, soil is returned to the field, while stones are used for road construction etc. Nonetheless, environmental impacts cannot be avoided entirely during the sugar-making process. These include airborne emissions (odours, noise, dust), the accumulation of technical waste (for example lubricants) and waste water. Risks arise from the potential for exceeding limits, complaints from neighbours or new statutory regulations.

Nordzucker gives high priority to limiting detrimental environmental effects as far as possible. Investments to avoid noise and odours are an important part of capital expenditure every year. In recent years, for example, key areas of focus have been the minimization of noise pollution through improved noise abatement, new filters to reduce dust emissions as well as measures to reduce odour emissions. 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) and the DIN EN ISO 14001 environmental management system. Nordzucker not only submits to the statutory inspections, but also carries out additional voluntary audits.

An active dialogue with local residents is a matter of course for Nordzucker. Through direct contacts, Nordzucker employees are able to explain the improvement measures implemented and to request their understanding in relation to any inevitable lasting adverse effects.

RISING RESULTING FROM ADDITIONAL COSTS FOR CO_2 CERTIFICATES

Within the scope of the European emissions trading system, every year Nordzucker requires certificates to cover its annual CO_2 emissions to generate energy. In case of a shortfall, the missing certificates have to be purchased. The price increases expected for CO_2 certificates have not occurred over the past few years or else have been far lower than expected. Despite this, there is considerable political pressure to reduce CO_2 emissions further in the years ahead by making the certificates more expensive. The political aim is to achieve global greenhouse gas neutrality in the second half of the century. This was the agreement reached by the UN member states at the Climate Change Conference held in Paris in December 2015. Nordzucker is also working continuously to cut its CO_2 emissions even further by investing in energy efficiency and optimizing its operations. This not only reduces the number of CO_2 certificates to be purchased and, as a result, the associated costs, but also makes Nordzucker's business more sustainable.

To achieve even further sustainability in the sugar-making process, for many years now Nordzucker has successfully lowered its CO_2 emissions. These production-related emissions have already been reduced by 65 per cent compared to the levels of 1990. In future, Nordzucker will continue to work on cutting its CO_2 emissions even further by investing in energy efficiency and optimizing its operations. This will not only reduce the number of CO_2 certificates to be purchased and, as a result, the associated costs, but also ease the impact on the environment.

RISKS RESULTING FROM PRODUCT SAFETY

As a food producer, Nordzucker is responsible for the quality and safety of its products. The company works consistently to keep improving its already very high safety standards by means of continuous improvements to production processes, targeted investments and strict internal guidelines. Regular inspections and product safety certifications are carried out to identify risks at an early stage. All locations, for example, comply with DIN EN ISO 9001 and the FSSC 22000 product safety standards.

Due to differences in local rules, some sites are also certified in accordance with the following standards: occupational health and safety management system OHSAS 18001, energy management system DIN EN ISO 50001, German 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 B2 standard for the production of animal feed ingredients. Organic and fair trade products are grown and inspected in line with the applicable legislation and standards.

LEGAL RISKS

The companies in the Nordzucker Group are also subject to various statutory regulations, which can give rise to liability risks. They included, in particular, the sugar market regime in connection with the relevant provisions of customs and licensing law. With effect from October 2017, the EU deregulated the sugar market considerably by abolishing the sugar quota and the minimum prices for sugar beet. This will reduce the risks associated with the previously stringent regulations.

Further risks can also arise from food and animal feed law, as well as from tax regulations in the various countries in which the Nordzucker Group operates and from legal disputes. Nordzucker is of the opinion that any breaches of competition law in Germany before 2009 that may be determined by the German competition authorities did not result in any losses to the purchasers of sugar. Even in the period examined by the competition authority, there was competition between sugar producers leading to customers switching supplier and differences in sale volumes. Furthermore, many customers bought sugar from multiple domestic and foreign sugar producers. The sugar market was also highly regulated as a result of the sugar market regime. This applies particularly to volumes and prices. The sugar volume was limited by the quota regulations of the European sugar market regime Prior to 2006, sugar producers could also export quota sugar onto the global market in exchange for a refund The European sugar market regime also stipulated intervention prices, i.e. minimum prices for sugar. It also regulated the minimum prices to be paid for sugar beet by the sugar producers.

Although Nordzucker does not expect this to be the case, successful claims for damages by third parties against Nordzucker cannot be ruled out for the future.

RISKS AND OPPORTUNITIES RESULTING FROM INFORMATION TECHNOLOGY

RISKS RESULTING FROM DIGITALIZATION

Networking of business partners also increases risks. An attack from outside could, for example, disrupt the production or delivery of sugar and valuable data could be stolen. In order to limit such risks and 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. The statutory requirements (German IT Security Act, UP KRITIS) also have to be taken into account. By playing an active role on relevant committees (industry working group), Nordzucker can help shape the overall conditions for this purpose.

At the same time, the company is working intensively on continually providing all employees with information on the risks and protective measures in the digital world. Together with them and our external partners, Nordzucker is making constant improvements to the protection of all systems, in order to make all IT services as reliable and secure as possible.

OPPORTUNITIES RESULTING FROM DIGITALIZATION

Digitalization is opening up new opportunities for Nordzucker. By evaluating the data that is already available in a digitally connected system, Nordzucker can pick up on any deviations more quickly and then take targeted measures to manage them. This not only makes internal processes more efficient, but also boosts efficiency along the entire value chain, from growers to customers. Nordzucker is already making use of these technical opportunities with the AgriLog system, which optimizes the supply chain from the grower to the plant, and with digital consultancy solutions for growers. Further applications for use in production and in other areas (such as logistics) will follow over the next few years.

RISKS RESULTING FROM THE GENERAL DATA PROTECTION REGULATION

Data protection is increasingly important for the company as digital technology develops. The new European General Data Protection Regulation (EU GDPR) sets out clear and consistent requirements for companies in Europe.

The goal of the new regulation is to enhance the protection of personal data throughout Europe and to standardize data protection for all individuals in the European Union (EU). It will have a major impact: both in terms of data protection arrangements and in case of violations. Companies may be faced with fines of up to EUR 20 million, or four per cent of the consolidated annual revenues of a corporate group.

To ensure its compliance with these data protection requirements, Nordzucker has established an internal governance structure that includes the appointment of a Group data protection officer. This officer continuously guides, supervises, notifies and advises it in relation to such matters. In addition, data protection coordinators have been appointed for each country and for each role.

Nordzucker has also initiated a comprehensive data protection project to prepare for compliance with the requirements of the EU GDPR. Since its official launch in early September 2017, it has examined and documented processes involving personal data, developed policies and concepts for handling of personal data throughout the company and provided training for employees concerned with personal data.

Once the EU GDPR comes into effect, it is expected that the data protection authorities will send questionnaires regarding the measures implemented by way of compliance. As things currently stand and on the basis of the envisaged status of the company’s data protection project, including the compliance measures implemented, there is no immediate risk of penalties due to concrete data protection violations.

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

To address these risks, Nordzucker establishes a customer's credit standing before signing a contract and generally takes out trade insurance. The sales team maintains close contact with the customer and defaults are limited by active receivables management.

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 the financial derivatives used serve solely to hedge operating sales, investment 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 2018, the Nordzucker Group had exchange rate derivatives with a notional net volume of EUR 189.1 million (as of 28 February 2017: EUR 44.3 million). At the end of the financial year, derivative transactions with a notional value of EUR 2.4 million were open to hedge against price movements for raw materials (as of 28 February 2017: EUR 0.7 million).

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

The EU regulation EMIR introduced standards for reporting obligations for trading in derivatives. Nordzucker implemented these as of the statutory effective date on 14 February 2014. The statutory reporting obligations have been met in full in the 2017/2018 financial year. The related audit required by Sec. 20 paragraph 1 German Securities Trading Act (WpHG) was conducted again in 2017/2018 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 quality 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

European transposition of the BASEL III requirements through CRD IV will entail even more stringent requirements for commercial banks' lending operations, which will likely make it even harder for companies to obtain credit in future. This effect is currently still being obscured by the generous supply of liquidity from the ECB. New financial crises could also occur that would make financing much more expensive.

To reduce these risks, Nordzucker took out a new syndicated loan in March 2014 with a smaller group of banks and on better terms. This loan had a minimum term of five years, and in March 2016 it was extended by two years, i.e. until 2021, to make a seven-year term in total. It therefore extends well beyond the end of the previously applicable sugar market regime. 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 the ABS programme and 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. Based on current assessments, sufficient funds are also available to ensure the financing of solid growth.

The availability of the loan nonetheless depends on the meeting of various conditions; in particular, Nordzucker has to 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. 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

The expiry of the previously applicable sugar market regime on 30 September 2017 resulted in fundamental changes to the overall conditions for the European sugar industry. As expected, this has significantly intensified the level of competition. The EU sugar market is now considerably more exposed to the influence of the global sugar market. This influence will continue to grow. Prices on the global market are very volatile, and there have also been phases of very low prices in the past. In the long run, the supply of sugar could increase significantly (for example due to a fall in oil or ethanol prices) or growth in global demand could slow, for example due to changes in consumer behaviour, particularly in the developed economies. Due to the energy required to produce sugar, energy prices/availability could put pressure on 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, the consumption of which will continue to increase in the future as the global population grows and prosperity levels rise. In addition, global growth is likely to present the company with attractive investment opportunities outside of Europe in the coming years. The measures taken to date and those planned for the future put Nordzucker in a good position for the future. Its strong market presence gives the company access to attractive sales markets. The ongoing work with growers and external partners is boosting yields every year. The company's production and administrative structures are productive and efficient; with lean management, Nordzucker is using tools to forge ahead further with this process and achieve good results. The entire value chain aims to achieve a high level of sustainability; employees have recognized the changes and are embracing them.

The overall assessment of current opportunities and risks suggests that there are no risks that could jeopardize the company's continued existence. Existential risks in the future have also not been identified at the present time.

FORECAST

The overall result for the 2017/2018 financial year was in line with the positive outlook provided in the last annual report. However, the company's economic situation deteriorated significantly following the end of the sugar market regime in its existing form.

The world market price was at a relatively high level (EUR 513 per tonne of sugar in February 2017, based on London No. 5) at the end of the 2016/2017 financial year. This declined considerably in the course of the 2017/2018 financial year. In February 2018, it reached its lowest level to date at EUR 289 per tonne. Despite the falling global market price, in the period up to the end of September 2017 the average European price reported by the European Commission remained relatively stable due to the European market structure; it fluctuated between EUR 490 per tonne and EUR 501 per tonne.

With the end of the previously applicable sugar market regime, some European producers significantly increased their supply. At the same time, there was a clear surplus on the world market. Prices thus also fell significantly in Europe; in late January 2018, the average European price was just EUR 374 per tonne.

It was only thanks to the stable trend at the start of the financial year that Nordzucker was able to outperform its return on sales target of 5.0 per cent, achieving a return on sales of 7.0 per cent in the 2017/2018 financial year. At 13.8 per cent, the EBITDA margin only just fell short of the ambitious target of 15.0 per cent. The equity ratio once again exceeded the target of 30.0 per cent by quite some way. The capital structure is very solid. At the end of the year, the company had cash and cash equivalents of around EUR 422 million (including securities not reported as cash and cash equivalents). This puts Nordzucker in an excellent position to achieve further growth and to defend/expand its market share in an environment that is set to become a lot more challenging in the future.

The 2018/2019 financial year will be the first full year following the end of the previously applicable sugar market regime. EU protection against imports for sugar will not be affected by the expiry of the sugar market regime in its previous form, but the maximum volumes for export will cease to apply at the same time. This will further increase the influence of world market prices.

In the 2017/2018 campaign, considerably more sugar was produced in the EU than in the previous year. Sugar production thus significantly exceeded consumption. For this reason, there is no prospect of a rapid recovery of prices in the 2018/2019 financial year. A production surplus is likewise expected for the 2018/2019 sugar marketing year for Europe and for the global market. This will make a price increase less likely in the near future. Prices are, however, expected to recover in the medium term.

Due to sugar prices that are likely to remain low (by comparison with the 2017/2018 financial year), the outlook for the 2018/2019 financial year points to a decline in earnings. Earnings (RoCE, EBIT margin, net income, EBITDA margin) will likely be considerably lower than in the 2017/2018 financial year. Since the company was well prepared for the end of the previously applicable sugar market regime and the measures it implemented are paying off, a positive result is nonetheless expected.

In the medium term, the European sugar market is expected to develop positively. The high economic potential of sugar beet enables European sugar producers to supply their customers on competitive terms. Moreover, following a transitional period the market will consolidate further, driven by the competitive pressure. The sugar market in the EU is significantly influenced by the global sugar market. The rising demand for sugar, especially in Asia and Africa, is likely to provide a boost to prices on the global market in the medium term. Sugar prices will remain volatile; there will be years with high prices as well as years with low prices.

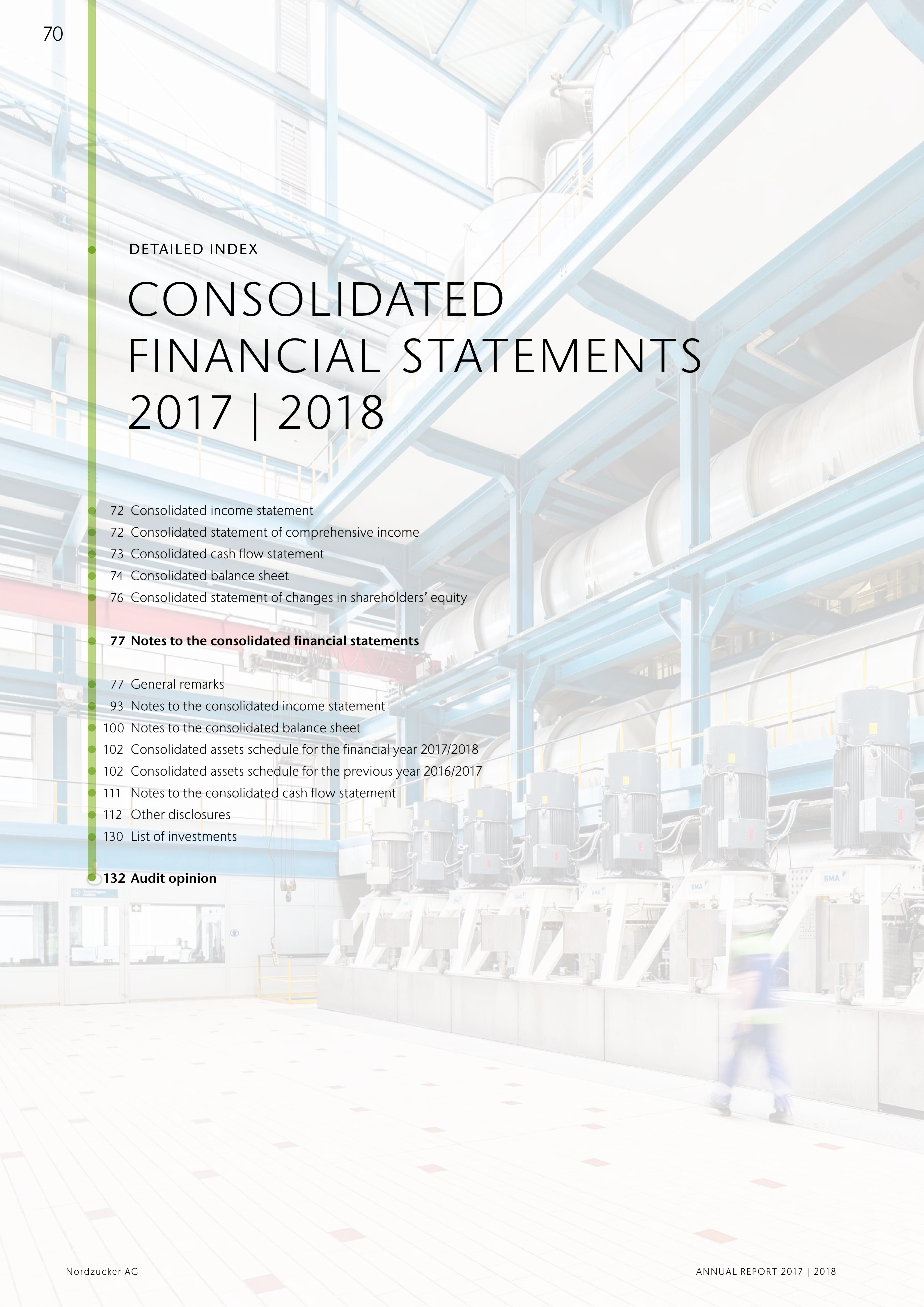
Nordzucker is a strong provider in Europe that will make use of the opportunities on the markets. The company is well set up to play an active role in the market consolidation and to further expand its position in Europe. Nordzucker's goal is to secure and increase its market shares. The company will benefit from a solid capital structure that will enable it to make further investments in its core business. Growth opportunities outside of Europe will also be considered. Nordzucker has successfully dealt with all of the changes in Europe to date and has emerged from them even stronger. Even with increasingly competitive market conditions, the company will continue on this successful path.

Braunschweig, Germany, 27 April 2018

The Executive Board

Dr Lars Gorissen — Axel Aumüller

Dr Michael Noth — Erik Bertelsen



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CONSOLIDATED FINANCIAL SATEMENTS

CONSOLIDATED INCOME STATEMENT

Nordzucker AG, Braunschweig, Germany, for the period from 1 March 2017 to 28 February 2018

in EUR thousands	Further details in Note	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Revenues	8	1,649,623	1,708,230
Production costs	9	–1,220,810	–1,329,257
Gross profit		**428,813**	**378,973**
Sales costs	10	–161,067	–160,122
Administrative expenses	11	–74,941	–75,356
Other income	12	23,142	34,830
Other expenses	13	–62,251	–46,910
Operating result (EBIT)		**153,696**	**131,415**
Financial income	14	9,630	6,663
Financial expenses	15	–10,373	–9,333
Result from companies accounted for using the equity method	16	–461	–240
Earnings before tax		**152,492**	**128,505**
Income taxes	17	–34,719	–29,415
Consolidated net income		**117,773**	**99,090**
of which attributable to non-controlling interests		3,016	2,661
of which attributable to shareholders of the parent company		**114,757**	**96,429**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Consolidated net income	**117,773**	**99,090**
Remeasurement of defined benefit plans	2,726	6,789
Deferred taxes on items of other comprehensive income not reclassified to the income statement	–467	–1,749
Other comprehensive income from items not reclassified to the income statement	**2,259**	**5,040**
Exchange differences on translating foreign operations	–7,475	–3,206
Net result of cash flow hedges	–1,442	3,491
Deferred taxes on items of other comprehensive income reclassified to the income statement	288	–852
Other comprehensive income from items reclassified to the income statement	**–8,629**	**–567**
Consolidated comprehensive income after taxes	**111,403**	**103,563**
of which attributable to non-controlling interests	3,092	2,683
of which attributable to shareholders of the parent company	**108,311**	**100,880**

CONSOLIDATED CASH FLOW STATEMENT

Nordzucker AG, Braunschweig, Germany, for the period from 1 March 2017 to 28 February 2018

in EUR thousands	**1/3/2017 –28/2/2018**	1/3/2016 –28/2/2017
Earnings before tax	**152,492**	**128,505**
Interest and similar income/expenses	4,845	5,963
Depreciation, amortization and impairment/reversals of impairment of non-current assets	73,476	94,827
Change in provisions	26,461	11,916
Change in inventories	1,126	62,613
Change in trade receivables	1,476	–22,718
Change in trade payables	–6,044	39,723
Change in other operating assets/liabilities	1,648	–17,430
Gains/losses on disposal of non-current assets	1,137	783
Other non-cash expenses/income	111	–2,058
Interest received in the financial year	1,121	7,887
Interest paid in the financial year	–1,805	–3,096
Result from companies accounted for using the equity method	461	240
Taxes paid in the financial year	–37,849	–39,361
Cash flow from operating activities	**218,656**	**267,794**
Proceeds on disposal of property, plant and equipment	353	1,056
Payments for investments in property, plant and equipment	–86,283	–82,692
Proceeds on disposal of intangible assets	0	75
Payments for investments in intangible assets	–3,906	–3,017
Proceeds on disposal of financial assets	1,056	1,275
Payments for investments in financial assets	–300	–602
Proceeds from disinvestments in current securities	84,996	0
Payments for investments in current securities	–164,998	–34,996
Cash flow from investing activities	**–169,082**	**–118,901**
Inflows and outflows arising from changes in equity	0	–40
Payments to shareholders (dividends)	–56,919	–4,963
Proceeds from borrowing	0	6,392
Loan repayments	–7,330	0
Payments for finance leases	–161	–150
Cash flow from financing activities	**–64,410**	**1,239**
Changes in cash and cash equivalents	–14,836	150,132
Cash and cash equivalents at the beginning of the period	321,814	171,781
Effect of foreign exchange rate changes	–70	–99
Cash and cash equivalents at the end of the period	**306,908**	**321,814**

CONSOLIDATED BALANCE SHEET

as of 28 February 2018, Nordzucker AG, Braunschweig, Germany

ASSETS in EUR thousands	Further details in Note	28/2/2018	28/2/2017
NON-CURRENT ASSETS			
Fixed assets			
Intangible assets	21	20,590	19,445
Property, plant and equipment	22	830,769	821,069
Investment property	24	4,947	4,441
Financial investments	25		
Shares in companies accounted for using the equity method	25.1/25.2	6,357	7,567
Other financial investments	25.3	23,032	23,040
		29,389	**30,607**
		885,695	**875,562**
Receivables and other assets			
Financial assets	29	373	0
Other assets	30	766	1,241
		1,139	**1,241**
Deferred taxes	17	1,845	4,978
		888,679	**881,781**
CURRENT ASSETS			
Inventories	26		
Raw materials, consumables and supplies		52,384	52,026
Work in progress		46,043	34,490
Finished goods and merchandise		585,099	602,380
		683,526	**688,896**
Receivables and other assets			
Trade receivables	27	146,636	149,392
Receivables from related parties	28	599	215
Current income tax receivables	17	1,808	2,119
Financial assets	29	124,431	46,642
Other assets	30	29,906	26,017
		303,380	**224,385**
Cash and cash equivalents		**306,908**	**321,814**
Current assets		**1,293,814**	**1,235,095**
Assets held for sale	31	**7**	**48**
		1,293,821	**1,235,143**
		2,182,500	**2,116,924**

EQUITY AND LIABILITIES in EUR thousands	Further details in Note	28/2/2018	28/2/2017
Shareholders' equity	32		
Subscribed capital	32.1	123,651	123,651
Capital reserves	32.2	127,035	127,035
Retained earnings	32.3	1,197,113	1,135,496
Other comprehensive income	32.4	–59,838	–53,392
Equity attributable to shareholders of the parent company		**1,387,961**	**1,332,790**
Non-controlling interests	32.5	41,035	41,731
		1,428,996	**1,374,521**
Non-current provisions and liabilities			
Provisions for pensions and similar obligations	33	216,122	217,643
Other provisions	34	81,050	54,239
Financial liabilities	35	1,197	1,471
Liabilities towards related parties	37	5,500	5,500
Other financial liabilities	38	378	0
Other liabilities	39	5,085	5,193
Deferred taxes	17	71,644	74,994
		380,976	**359,040**
Current provisions and liabilities			
Provisions for pensions and similar obligations	33	11,537	11,508
Other provisions	34	55,861	54,706
Financial liabilities	35	4,737	12,070
Current income tax liabilities	17	15,813	19,708
Trade payables	36	215,629	222,738
Liabilities towards related parties	37	33,605	27,331
Other financial liabilities	38	6,278	4,238
Other liabilities	39	29,068	31,064
		372,528	**383,363**
		2,182,500	**2,116,924**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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 1/3/2016	**123,651**	**127,035**	**1,046,339**	**–57,844**	**1,239,181**	**39,186**	**1,278,367**
Net income			96,429		96,429	2,661	99,090
Other comprehensive income				4,451	4,451	22	4,473
Consolidated comprehensive income			**96,429**	**4,451**	**100,880**	**2,683**	**103,563**
Dividend payment			–4,830		–4,830	–133	–4,963
Other			–2,442		–2,442	–5	–2,447
As of 28/2/2017	**123,651**	**127,035**	**1,135,496**	**–53,392**	**1,332,790**	**41,731**	**1,374,521**
As of 1/3/2017	**123,651**	**127,035**	**1,135,496**	**–53,392**	**1,332,790**	**41,731**	**1,374,521**
Net income			114,757		114,757	3,016	117,773
Other comprehensive income				–6,446	–6,446	76	–6,370
Consolidated comprehensive income			**114,757**	**–6,446**	**108,311**	**3,092**	**111,403**
Dividend payment			–53,131		–53,131	–3,788	–56,919
Other			–9		–9	0	–9
As of 28/2/2018	**123,651**	**127,035**	**1,197,113**	**–59,838**	**1,387,961**	**41,035**	**1,428,996**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL REMARKS

1. ACCOUNTING PRINCIPLES

The consolidated financial statements as of 28 February 2018 for Nordzucker AG (Küchenstrasse 9, 38100 Braunschweig, Germany) have been prepared in accordance with Sec. 315e HGB (German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) or the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU-IFRS) and with supplementary provisions of German commercial law. The financial statements comply fully with EU IFRS and give a true and fair view of the net assets, financial and earnings position of Nordzucker AG and its consolidated subsidiaries, joint ventures and associated companies (hereinafter known as '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 is 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 22 May 2018 for presentation to the Supervisory Board.

2. CONSOLIDATION AND ACQUISITIONS

2.1. PRINCIPLES OF CONSOLIDATION

Subsidiaries
In addition to Nordzucker AG as the parent company, the Nordzucker consolidated financial statements also include the domestic and foreign companies 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.

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 carrying amount or other non-current receivables from financing these companies are not recognized unless there is an obligation to provide further capital.

The joint ventures accounted for using the equity method were individually and collectively immaterial for the presentation of the net assets, financial position and earnings of the Nordzucker Group in the reporting period and in the same period of the previous year.

Associated companies
Associated companies are also accounted for in the consolidated financial statements using the equity method. Nordzucker AG has a significant influence with 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.

August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG, Hamburg, was included in the consolidated financial statements of the Nordzucker Group as an associated company for the first time in the previous year (2015/2016 financial year). The company is immaterial for the presentation of the net assets, financial position and earnings of the Nordzucker Group.

2.2. BUSINESS COMBINATIONS AND INVESTMENTS

No acquisitions were made in the reporting period or comparative period.

For the accounting principles relating to acquisitions, please see Note 3.16.

2.3. GROUP OF CONSOLIDATED COMPANIES

The consolidated companies in the Nordzucker Group are as follows:

GROUP OF CONSOLIDATED COMPANIES

	28/2/2018	28/2/2017
Fully consolidated subsidiaries		
Domestic	6	4
Foreign	11	11
Companies accounted for using the equity method		
Domestic	3	3
Foreign	1	1

The number of fully consolidated companies increased as a result of the formation of two new companies in the reporting period (BZN Erste Holdinggesellschaft mbH and BZN Zweite Holdinggesellschaft mbH).

The list of shareholdings can be found in the Nordzucker AG annual report and is published in the German Federal Gazette.

The reporting date for all fully consolidated subsidiaries included in the consolidated financial statements and for NP Sweet A/S, a joint venture accounted for using the equity method, is 28 February 2018. All the other companies accounted for using the equity method and included in the consolidated financial statements have 31 December 2017 as the end of their reporting period.

2.4. SIGNIFICANT SUBSIDIARIES

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

SIGNIFICANT SUBSIDIARIES

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

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

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

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

2.5. CONVERSION OF FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

EXCHANGE RATES OF FOREIGN CURRENCIES

	Average rate		Closing rate	
for EUR 1.00	**2017/18**	2016/17	**28/2/2018**	28/2/2017
Polish Zloty (PLN)	**4.22822**	4.35309	**4.17810**	4.31480
Danish Krone (DKK)	**7.44035**	7.44083	**7.44650**	7.43320
Swedish Krone (SEK)	**9.69801**	9.49225	**10.09230**	9.56750

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 the statement of financial position have been aggregated to improve readability. These items are listed in the notes.

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 IAS 18 when the goods or services are delivered if the amount of revenue can be estimated reliably and the flow of economic benefit is probable. 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 capitalized 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 valued initially at cost (purchase price, directly attributable costs). Assets related to acquisitions (see also Note 3.16), 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 valued 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 capitalized under IAS 23. Research costs are recognized as an expense.

Separately acquired and internally generated intangible assets with limited useful lives are subject to scheduled 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 indications that intangible assets with limited useful lives have been impaired in accordance with IAS 36, and if the recoverable amount is less than the historical 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 3.16) 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 capitalized under IFRS 3.

Separately acquired and internally generated intangible assets with indefinite useful lives, as well as goodwill, are not subject to scheduled amortization, but must be tested for impairment at least once a year in accordance with IAS 36 (see also Note 3.6). The impairment test for goodwill takes place at the level of the cash-generating unit to which the item was attributed upon initial recognition. Goodwill is assigned to the cash-generating unit that is expected to benefit from the synergies of the business combination.

According to IAS 36, a cash-generating unit is the smallest identifiable group of assets with cash inflow that is largely independent of cash inflow from other assets. Within the Nordzucker Group, the lowest possible level is deemed the one within the entity at which goodwill is monitored for internal management purposes. An impairment loss is recognized on goodwill when the recoverable amount attributed to the cash-generating unit for this item is less than the carrying amount of this cash-generating unit; goodwill must then be written down by the amount of this difference. The basis for calculating the recoverable amount is the value in use of the cash-generating unit. The cash-generating unit determines a present-value model taking into account cash flows that are based on internal targets. Reversals of the impairment or increases in the carrying amount of goodwill cannot be carried out later.

Gains or losses resulting from the disposal or impairment of intangible assets are recorded 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 their expected useful lives. Acquisition or manufacturing 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
Vehicles	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 technical plant and machinery only used during the campaign are 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 historical 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.

If the major opportunities and risks associated with ownership of rented or leased items of property, plant and equipment are borne by the tenant or lessee, then the items are to be capitalized as an asset under IAS 17 on the lessee's statement of financial position. The asset is initially valued at the present value of the minimum leasing payments, or at fair value for the leased item – whichever is lower. In exchange, a liability is to be recognized at an appropriate amount for the finance lease. After initial recognition, the leased item is depreciated on an ordinary basis or, if necessary, subjected to impairment write-downs. If it is not sufficiently clear at the start of the lease whether or not ownership of the asset will be transferred to the lessee, the scheduled depreciation takes place either over the term of the leasing arrangement or the useful life – whichever is shorter. If this is not the case, the leased item must be depreciated over its useful life.

Gains or losses resulting from the disposal or impairment of items of property, plant and equipment are recorded 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 valuations, the Nordzucker Group consistently exercises the option of valuing investment property at cost, less ordinary 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.

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 of whether 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. FINANCIAL INSTRUMENTS

Financial instruments are defined in IAS 32; the relevant accounting and disclosure principles can be found in IAS 39 and IFRS 7. The term financial instruments covers both financial assets and financial liabilities. Financial assets include cash and cash equivalents, contractual rights to receive cash or other financial assets such as trade receivables, derivative financial instruments with positive fair value and equity instruments of another company. Financial liabilities include contractual obligations to deliver cash and cash equivalents or other financial assets. These include, for example, borrowing, current loans, trade payables and derivative financial instruments with negative fair value.

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

For the initial recognition, financial instruments must be assigned to measurement categories as listed in IAS 39. The subsequent valuation of the items is determined by the measurement category. There are four measurement categories for financial assets ('Financial assets at fair value through profit or loss', 'Financial investments held to maturity', 'Loans and receivables', 'Available-for-sale financial assets'). Financial liabilities may be assigned to two measurement categories ('Financial liabilities at fair value through profit or loss', 'Financial liabilities measured at amortized cost'). In the reporting period and comparative period, no financial assets were assigned to the measurement category 'Financial investments held to maturity'. In addition, there were no reclassifications from one measurement category to another.

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

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

After initial recognition, financial instruments in the category 'Financial assets/liabilities at fair value through profit or loss' are recognized at fair value. This includes derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (see also Note 3.14). Changes in value are recognized through profit or loss (i.e. in the income statement). The subsequent valuation of items in the measurement category 'Available-for-sale financial assets' 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). If fair value for items in the measurement category 'Available-for-sale financial assets' cannot be reliably determined, the items are to be valued at cost.

For derivative financial instruments that are part of an effective hedging relationship (see also Note 3.14), no measurement category is assigned. The instruments are also recognized at fair value. However, value changes are also recognized 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 'Loans and receivables' and financial liabilities in the measurement category 'Financial liabilities measured at amortized cost' are valued 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 'Loans and receivables'. 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.

At the end of each reporting period, it must be identified whether an impairment of a financial asset or a group of assets exists according to IAS 39. There must be objective indications of a loss event (e.g. severe financial difficulties of the issuer or debtor, breach of contract, concessions made to debtors for economic or legal reasons in connection with the debtor's financial difficulties, an increased probability of insolvency, a significant or prolonged decline in the fair value below its cost), and this must have a reliably estimated effect on expected future cash flows. For financial assets in the measurement categories 'Financial investments held to maturity' and 'Loans and receivables', any impairment amount is calculated by comparing the carrying amount with the present value of the expected future cash flows (discounted using the effective interest rate). For items in the measurement category 'Available-for-sale financial assets', a comparison must be made between acquisition cost and fair value.

3.9. 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 categorized as 'held for sale' or belong to a disposal group categorized as 'held for sale'. Non-current assets or disposal groups that are categorized as 'held for sale' must be valued immediately after being categorized 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 categorized as 'held for sale' or no longer belongs to a disposal group categorized 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 valued either at the recoverable amount or – if this is lower – at the carrying amount prior to categorization, adjusted for all depreciation or remeasurements that would have been recorded in the absence of categorization.

3.10. INVENTORIES

Under IAS 2, inventories are valued 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 is reversed if the reasons for recognizing the loss no longer exist.

3.11. 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 valuation 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, 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 recorded 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 with the discount rate of the defined benefit obligation. Actuarial gains and 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.

3.12. 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 'Other provisions' item 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 valuation 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.

3.13. 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.

3.14. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

Accounting for derivative financial instruments is governed by the principles set out in IAS 39. 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. In addition, the hedge must be effective, i.e. the fair value or cash flow changes of hedged items and hedging instruments must be offset within a specific range.

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 IAS 39, are always assigned to the measurement categories 'Financial assets/liabilities 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 depends on the type of hedge (fair-value hedge, cash flow hedge) or on the characteristics of the hedge as whether they are recognized in profit or loss (i.e. in the income statement) or recognized outside profit or loss under other comprehensive income (i.e. in the statement of comprehensive income).

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.

3.15. TRANSACTIONS AND ITEMS IN FOREIGN CURRENCIES

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

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

Subsequent recognition 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 the 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 recognized at cost – are translated into the functional currency using the exchange rate on the day of their initial recognition. Non-monetary items recognized at fair value must be translated using the exchange rate that was valid on the measurement date (i.e. generally using the exchange rate at the end of the reporting period). Translation 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).

3.16. BUSINESS COMBINATIONS

Business combinations are presented using the acquisition method in accordance with IFRS 3. The acquisition costs of a business combination are 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 classification 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 purchaser 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 IAS 39. Contingent consideration that is classified as equity is not revalued and its subsequent settlement is accounted for within equity.

Goodwill is initially recognized 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 scheduled 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, are 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, as well as 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 a cash-generating unit, as well as in the implementation of the impairment testing in accordance with IAS 36 with regard to determining the cash flows in the forecast period and the selection of a suitable capitalization rate. We refer to the corresponding notes to the consolidated statement of financial position for the carrying amounts of balance sheet items affected by significant estimates.

5. ACCOUNTING STANDARDS TO BE APPLIED FOR THE FIRST TIME

The Nordzucker Group applied the following pronouncements or amendments to existing pronouncements of the IASB or IFRS IC for the first time during the reporting period:

- Amendment to IAS 12 Income Taxes (title of amendment: Recognition of Deferred Tax Assets for Unrealized Losses);

- Amendment to IAS 7 Statement of Cash Flows (title of amendment: Disclosure Initiative);

- Improvements to International Financial Reporting Standards (2014–2016 Cycle regarding the amendments to IFRS 12 Disclosure of Interests in Other Entities; published 2016).

The amendment to IAS 12 clarifies that companies have to consider whether tax law restricts the sources of income to be taxed in the future, against which it may make deductions on the reversal of the corresponding deductible temporary differences. The amendment also contains guidelines on how companies have to calculate income to be taxed in the future and explains the circumstances in which future taxable income can contain amounts from the realization of assets in an amount that exceeds their carrying amount.

The amendment to IAS 7 requires disclosures that enable users of financial statements to reconcile both cash and non-cash changes in liabilities arising from financing activities.

The IASB makes amendments to various IFRSs via its overarching 'Improvements to International Financial Reporting Standards'. The 2014–2016 Cycle amended a total of three standards. The amendment to IFRS 12 will be applied within the Nordzucker Group in the 2017/2018 reporting period. The amended version of IFRS 12 clarifies that the disclosure requirements generally also apply to an entity's interests in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

None of the above amendments have any major impact on the net assets, financial and earnings position or the cash flows of the Nordzucker Group.

6. ACCOUNTING STANDARDS NOT APPLIED

No IFRSs were adopted before the mandatory adoption date in the consolidated financial statements of Nordzucker AG as of 28 February 2018. 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.

6.1. MANDATORY FIRST-TIME APPLICATION IN THE 2018/2019 REPORTING PERIOD

The following pronouncements are to be applied for the first time in the Nordzucker consolidated financial statements as of 28 February 2019:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 15 Revenue from Contracts with Customers; (title of amendment: Clarifications to IFRS 15 Revenue from Contracts with Customers);
- Amendment to IAS 40 Investment Property (title of amendment: Transfers of Investment Property);
- Amendment to IFRS 2 Share-based Payment (title of amendment: Classification and Measurement of Share-based Payment Transactions);
- Improvements to International Financial Reporting Standards (2014–2016 Cycle regarding the amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures; published 2016);
- Amendment to IFRS 4 Insurance Contracts (title of amendment: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

IFRS 9 replaces the existing regulations in IAS 39 regarding accounting for financial instruments. The standard contains new regulations on classifying and measuring financial assets as well as on accounting for hedging relationships. The existing guidelines on the classification and measurement of financial liabilities will largely be retained. IFRS 9 is 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.

IFRS 15 redefines the recognition of revenue and replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as the related interpretations. Revenue is to be recognized when the goods or services are transferred to the customer. The standard also covers the presentation of the performance obligations at the level of individual contracts (contract assets or contract liabilities) and requires extensive disclosures on revenue.

The amendment to IFRS 15 clarifies implementation issues relating to the identification of performance obligations, the application guidelines for principal versus agent considerations, licences for intellectual property and the transitional provisions.

An analysis performed in the 2017/2018 reporting period revealed that IFRS 15 (including the amendments thereto) will not have any significant effect on the presentation of the net assets, financial and earnings position or the cash flows of the Nordzucker Group.

The amendment to IAS 40 specifies in which cases a property's classification as an 'investment property' begins or ends if the property is still under construction or development.

The amendments to IFRS 2 address the following main areas: the effects of vesting conditions on the measurement of cash-settled share-based payment transactions; the classification of share-based payment transactions with net settlement features where there are withholding tax obligations; the accounting of cash-settled share-based payment transactions where a modification of the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments resulting from the Improvements to International Financial Reporting Standards (2014–2016 Cycle) that will be applied for the first time in the 2018/2019 reporting period relate to amended versions of IFRS 1 (deletion of certain exemptions) and IAS 28 (clarification of the measurement of interests held by venture capital organizations).

The amendment to IFRS 4 resolves application problems for insurers resulting from the fact that the effective date of the standard is different to the effective date of IFRS 9.

IFRIC 22 refers to IAS 21 The Effects of Changes in Foreign Exchange Rates and clarifies the point in time at which the exchange rate for the translation of transactions in foreign currencies that include the receipt or payment of advance consideration is to be calculated.

6.2. MANDATORY FIRST-TIME APPLICATION IN THE 2019/2020 REPORTING PERIOD OR LATER

These standards or amendments are to be applied to the Nordzucker consolidated financial statements for the first time as of 29 February 2020 or for later reporting periods:

- IAS 16 Leases;
- IFRS 17 Insurance Contracts (not yet endorsed by the EU);
- Amendment to IFRS 9 Financial Instruments (title of amendment: Prepayment Features with Negative Compensation);
- Amendments to IAS 28 Investments in Associates and Joint Ventures (title of amendment: Long-term Interests in Associates and Joint Ventures; not yet endorsed by the EU);
- Improvements to International Financial Reporting Standards (2015–2017 Cycle; published in 2017; not yet endorsed by the EU);
- Amendment to IAS 19 Employee Benefits (title of amendment: Plan Amendment, Curtailment or Settlement; not yet endorsed by the EU);
- IFRIC 23 Uncertainty over Income Tax Treatments (not yet endorsed by the EU).

IFRS 16 replaces the existing regulations in IAS 17 regarding accounting for and disclosure of leases. IFRS 16 stipulates that the lessee must recognize all leases and the related rights and obligations in the statement of financial position; the previous distinction between finance leases (recognition of the leased item as an asset) and operating leases (no recognition of the leased item as an asset; recognition of lease payments as expenses) no longer applies. Lessors still have to classify their leases as finance or operating leases and recognize them accordingly – as previously under IAS 17. The classification criteria in IAS 17 were retained for IFRS 16.

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

The changes to IFRS 9 modifies the rules applying to the classification and measurement of financial assets with a negative early repayment compensation.

The amendments to IAS 28 clarify that IFRS 9 applies to financial instruments which are not accounted for using the equity method (including shares in a net investment) and that the requirements of IAS 28 are only applied thereafter.

The IASB makes amendments to various IFRSs via its overarching 'Improvements to International Financial Reporting Standards'. The 2015-2017 Cycle amended a total of four standards.

The amendments to IAS 19 clarify that current assumptions are to be used for the remaining part of the reporting period following plan changes, plan curtailments or settlement when determining service costs and net interest charges.

IFRIC 23 is to be applied to accounting for tax obligations under IAS 12 when there is uncertainty concerning the tax treatment to be applied. It does not apply to taxes or duties that are not within the scope of IAS 12 and does not include any pronouncements concerning interest or penalty surcharges arising in connection with uncertain tax positions. The interpretation is primarily concerned with whether an entity is required to assess an uncertain tax position individually, and with the assumptions that an entity makes concerning the examination of tax treatments to be made by the tax authorities. Further issues addressed are the determination of taxable profits, the tax measurement basis, unused tax losses, unused tax credits and the tax rate.

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	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Products		
Sugar	1,366,731	1,409,747
Bioethanol	46,459	64,935
Animal feed and molasses	147,285	151,096
Other	89,148	82,452
Total	**1,649,623**	**1,708,230**

Other revenues primarily include sales of merchandise.

9. PRODUCTION COSTS

Production costs comprise the following:

PRODUCTION COSTS

in EUR thousands	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Cost of materials and services	–986,653	–1,096,676
Personnel expenses	–133,714	–130,609
Depreciation, amortization and impairment	–61,184	–67,340
Other expenses	–39,259	–34,632
Total	**–1,220,810**	**–1,329,257**

10. SALES COSTS

Sales costs comprise the following:

SALES COSTS

in EUR thousands	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Freight	–72,015	–74,740
Rentals, land leasing and outside warehousing costs	–28,372	–29,326
Personnel expenses	–23,371	–21,723
Depreciation, amortization and impairment	–5,479	–5,003
Advertising	–9,079	–9,151
Sales commission	–1,184	–1,414
Other costs of sales	–21,567	–18,765
Total	**–161,067**	**–160,122**

11. ADMINISTRATIVE EXPENSES

Administrative expenses are made up as follows:

ADMINISTRATIVE EXPENSES

in EUR thousands	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Personnel expenses	–41,841	–42,620
Consultancy fees	–9,991	–10,523
Fees and levies	–4,629	–4,490
Depreciation, amortization and impairment	–3,816	–2,993
Rentals and land leasing	–2,242	–2,299
Travel costs	–2,267	–2,126
Phone/communications	–1,525	–1,360
Other administrative expenses	–8,630	–8,945
Total	**–74,941**	**–75,356**

12. OTHER INCOME

Other income is made up as follows:

OTHER INCOME

in EUR thousands	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Insurance and other compensation for damages	821	9,295
Income from the reversal of provisions	2,486	5,798
Foreign exchange gains	13,320	2,431
Proceeds from disposal of non-current assets	308	3,102
Reversals of impairments on receivables	449	318
Income from the reversal of investment subsidies, grants and other receivables	357	3,929
Rental and leasing income	437	462
Reversals of impairment of intangible assets as well as property, plant and equipment	23	105
Miscellaneous operating income	4,941	9,390
Total	**23,142**	**34,830**

Insurance and other compensation for damages in the previous year consisted mainly of compensation of EUR 6,543 thousand resulting from a fire in a silo in Uelzen.

From the reporting period 2017/2018 currency gains and losses resulting from internal group loan transactions and associated currency hedging transactions using currency forwards are reported within the income statement under 'Other income' or 'Other expenses', without offsetting.

Foreign currency gains and the foreign currency losses disclosed 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	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Personnel expenses	–775	–517
Accumulated depreciation, amortization and impairment	–2,977	–19,286
Expenses from loss events	–3,040	–704
Research and development	–1,704	–5,443
Foreign exchange losses	–15,211	–1,967
Losses from disposal of non-current assets	–1,445	–3,885
Impairments on receivables	–758	–66
Expenses from additions to provisions	–34,911	–11,370
Other operating expenses	–1,430	–3,672
Total	**–62,251**	**–46,910**

Depreciation, amortization and impairment in the previous year relates mainly to write-downs of machinery and other technical equipment that was subject to individual impairment testing.

From the reporting period 2017/2018 currency gains and losses resulting from internal group loan transactions and associated currency hedging transactions using currency forwards are reported within 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	**1/3/2017 –28/2/2018**	1/3/2016 –28/2/2017
Income from other investments	7,634	3,827
Other interest and similar income	1,084	1,293
Interest income on bank balances	37	57
Other financial income	875	1,486
Total	**9,630**	**6,663**

Income from other investments refers to dividends.

Further information on net income from financial instruments can be found in Note 42.

15. FINANCIAL EXPENSES

Financial expenses are made up as follows:

FINANCIAL EXPENSES

in EUR thousands	**1/3/2017 –28/2/2018**	1/3/2016 –28/2/2017
Interest expense on provisions	–4,178	–4,218
Other interest and similar expenses	–1,088	–2,536
Interest expense from bank balances	–717	–560
Other financial expenses	–4,390	–2,019
Total	**–10,373**	**–9,333**

Interest expense from 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 42.

16. RESULT FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The net income/loss from companies accounted for using the equity method fell by EUR 221 thousand compared with the previous reporting period. Companies accounted for using the equity method are shown in the statement of financial position under the 'Financial investments' item (see Notes 25.1 and 25.2).

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	**1/3/2017 –28/2/2018**	1/3/2016 –28/2/2017
Current taxes		
Current domestic taxes	–14,625	–17,564
Current foreign taxes	–20,034	–21,062
	–34,659	–38,626
Deferred taxes		
Deferred domestic taxes	1,896	8,887
Deferred foreign taxes	–1,956	324
	–60	9,211
Income taxes	**–34,719**	**–29,415**

The current and deferred income taxes affecting previous years reduced net income by EUR 26 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

in EUR thousands	**1/3/2017 –28/2/2018**	1/3/2016 –28/2/2017
IFRS net profit before income taxes	152,492	128,505
Group tax rate	30.00 %	30.00 %
Expected tax expense	–45,748	–38,552
Tax rate variances	9,328	7,743
Taxes for prior years	–26	1,063
Tax-free income	2,693	1,236
Non-deductible expenses and permanent differences	1	–971
Write-down of unused tax loss carry-forwards	–1,062	–122
Other effects	95	188
Tax expense	**–34,719**	**–29,415**

In order to improve the quality of the information presented in the reconciliation, the reconciliation includes ‘write-down of unused tax carry-forwards’ as an additional item in this reporting period. In addition, there was a reclassification of the presentation of permanent differences from ‘Other effects’ to ‘Non-deductible operating expenses and permanent differences’. In both cases, the figures for the previous year have been adjusted.

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

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

The effect 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	28/2/2018 Deferred tax assets	28/2/2018 Deferred tax liabilities	28/2/2017 Deferred tax assets	28/2/2017 Deferred tax liabilities
Intangible assets	268	1,749	169	1,192
Property, plant and equipment	1,823	101,652	1,988	102,288
Inventories	1,375	7,695	1,378	7,661
Other assets	720	593	142	572
Pension provisions	33,877	0	34,588	211
Other provisions	2,345	236	2,179	234
Other liabilities	1,808	540	352	1,145
Deferred taxes on temporary differences	**42,216**	**112,465**	**40,796**	**113,303**
Deferred tax assets on tax loss carry-forwards	450	0	2,491	0
Gross amount	42,666	112,465	43,287	113,303
Offsetting	–40,821	–40,821	–38,309	–38,309
Balance sheet amount	**1,845**	**71,644**	**4,978**	**74,994**

The changes in total deferred tax presented in the consolidated statement of financial position at end of the reporting period of EUR 217 thousand (previous year: EUR 7,467 thousand) was reported as an increase in the tax expense of EUR 60 thousand (previous year: EUR 9,211 thousand as reduction of the tax expense), i.e. within the income statement. In addition, tax income of EUR 277 thousand (previous year: EUR 1,744 thousand) was recognized outside of profit or loss (i.e. in other comprehensive income in the statement of comprehensive income). Changes due to exchange rates are presented in the “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 deferred tax liabilities as shown both within and outside of profit and loss:

CHANGES IN DEFERRED TAXES

	1/3/2017–28/2/2018		1/3/2016–28/2/2017	
in EUR thousands	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	99	–558	–272	–138
Property, plant and equipment	–164	636	–99	8,973
Inventories	–3	–34	314	2,637
Other assets	577	–21	–231	562
Pension provisions	–711	211	–1,418	–130
Other provisions	166	–2	730	–233
Other liabilities	1,456	606	–941	2,743
Deferred taxes on temporary differences	**1,420**	**838**	**–1,917**	**14,414**
Deferred tax assets on tax loss carry-forwards	–2,041	0	–5,030	0
Total	**–621**	**838**	**–6,947**	**14,414**

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

No deferred tax assets were recorded for foreign tax loss carry-forwards of EUR 18,915 thousand (previous year: EUR 12,673 thousand), as no positive taxable income is expected in the near future. In addition, no deferred tax assets were recorded for tax loss carry-forwards of EUR 39 thousand (previous year: EUR 528 thousand), as positive taxable income is not expected in the near future.

No deferred tax assets were recognised for temporary differences on investments in subsidiaries of EUR 275,008 (previous year: EUR 217,464 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	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Cost of raw materials, consumables and supplies and of purchased merchandise	–889,598	–954,198
Cost of purchased services	–86,898	–93,616
Total	**–976,496**	**–1,047,814**

19. PERSONNEL EXPENSES

Personnel expenses are made up as follows:

PERSONNEL EXPENSES

in EUR thousands	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Wages and salaries	–161,713	–162,397
Social security contributions and other social expenses	–22,922	–22,642
Expenses for defined contribution plans	–11,400	–11,091
Expenses for defined benefit plans	–4,610	–4,926
Total	**–200,645**	**–201,056**

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’.

In the reporting period, the Nordzucker Group had an average of 3,234 employees (previous year: 3,236 employees).

20. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment are made up as follows:

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

in EUR thousands	1/3/2017 –28/2/2018	1/3/2016 –28/2/2017
Depreciation or amortization of intangible assets, property, plant and equipment, and investment property	–69,490	–73,989
Impairment of intangible assets, property, plant and equipment, and investment property	–4,010	–20,942
Total	**–73,500**	**–94,931**

Impairment losses in the comparison period relate mainly to write-downs of machinery and other technical equipment.

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 1,704 thousand (previous year: EUR 5,443 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.

Assets recognized under finance leases in accordance with IAS 17 primarily include a storage reservoir in Stöcken, a water pipeline to Rosche (both in the district of Uelzen), as well as a silo in Saxkøbing and two co-generation plants, in Groß Munzel and Nordstemmen. The leased items are presented as technical plant and machinery.

No items of property, plant and equipment were provided as collateral security at the end of the reporting period. Property, plant and equipment with a carrying amount of EUR 5,400 thousand at the end of the reporting period was provided as collateral security in the previous year.

The Nordzucker Group received compensation from third parties for loss or damage to property, plant and equipment totalling EUR 75 thousand in the reporting period.

23. IMPAIRMENT TEST 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. In the Nordzucker Group, the impairment tests are performed by a cash-generating unit that contains all the Group's cash flows from sugar sales, as well as the related assets and liabilities.

In the reporting period and in the comparative period, an impairment test was performed for intangible assets and items of property, plant and equipment. The recoverable amount is based on the value in use in each case. The pre-tax interest rate used to discount the cash flows for this cash-generating unit was 7.96 per cent (rounded, previous year: 7.72 per cent). A growth rate of 0 per cent was assumed for the long-term earnings component of the discounted cash flow calculation (previous year: 0 per cent). No impairment charges were recognized in the reporting period or comparative period.

24. INVESTMENT PROPERTY

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

Rental income of EUR 17 thousand (previous year: EUR 16 thousand) were earned in the reporting period; corresponding to these expenses of EUR 10 thousand (previous year: EUR 10 thousand) were incurred. In addition, expenses of EUR 59 thousand (previous year: EUR 52 thousand) were incurred for which there was no corresponding rental income.

The fair value of the property is EUR 8,357 thousand as of the end of the reporting period (previous year: EUR 7,753 thousand). The fair value was determined on the basis of internal estimates using comparable properties.

No subsequent acquisition costs were capitalized in the reporting period or in the comparative period.

25. FINANCIAL INVESTMENTS

There were no significant changes in the Nordzucker Group's financial investments in the reporting period.

25.1. JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

There were no joint ventures accounted for using the equity method that were individually or collectively material for the presentation of the net assets, financial position and earnings of the Nordzucker Group in either the reporting period or the same period of the previous year.

25.2. ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

There were no associates accounted for using the equity method that were individually or collectively material for the presentation of the net assets, financial position and earnings of the Nordzucker Group in either the reporting period or the same period of the previous year.

25.3. OTHER FINANCIAL INVESTMENTS

Financial assets in the measurement category 'Available-for-sale financial assets' as shown in other financial investments are recognized at the end of the reporting period either at fair value or at cost (see Note 3.8).

The shares in Tereos TTD a.s. are disclosed 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 7,628 thousand in the reporting year (previous year: EUR 3,763 thousand).

CONSOLIDATED ASSETS SCHEDULE FOR THE FINANCIAL YEAR 2017/2018

Nordzucker AG, Braunschweig, Germany

	Cost or fair value					
in EUR thousands	As of 1/3/2017	Currency effects	Additions	Reclassifi-cations	Disposals	As of 28/2/2018
Intangible assets						
Goodwill	5	0	40	1	–46	0
Rights, patents and licences	52,546	181	45	8	–52,229	551
Internally generated intangible assets	2,265	0	0	0	0	2,265
Other intangible assets	35,249	41	2,775	1,164	–1,540	37,689
Advance payments made	3,501	0	825	–952	3	3,377
	93,566	**222**	**3,685**	**221**	**–53,812**	**43,882**
Property, plant and equipment						
Land and buildings	465,524	–783	5,568	917	–263	470,963
Technical plant and machinery	1,759,237	–6,830	67,206	13,383	–20,116	1,812,880
Other plant, operating and office equipment	47,602	–59	3,330	432	–2,018	49,287
Advance payments made and plant under construction	16,025	–376	9,112	–15,134	–45	9,582
	2,288,388	**–8,048**	**85,216**	**–402**	**–22,442**	**2,342,712**
Investment property	**6,394**	**0**	**556**	**–78**	**0**	**6,872**
	2,388,348	**–7,826**	**89,457**	**–259**	**–76,254**	**2,393,466**

CONSOLIDATED ASSETS SCHEDULE FOR THE PREVIOUS YEAR 2016/2017

Nordzucker AG, Braunschweig, Germany

	Cost or fair value					
in EUR thousands	As of 1/3/2016	Currency effects	Additions	Reclassifi-cations	Disposals	As of 28/2/2017
Intangible assets						
Goodwill	0	0	5	0	0	5
Rights, patents and licences	52,289	50	211	0	–4	52,546
Internally generated intangible assets	2,720	2	0	0	–457	2,265
Other intangible assets	35,657	17	1,377	188	–1,990	35,249
Advance payments made	2,323	0	1,429	–209	–42	3,501
	92,989	**69**	**3,022**	**–21**	**–2,493**	**93,566**
Property, plant and equipment						
Land and buildings	455,620	–596	10,342	1,307	–1,149	465,524
Technical plant and machinery	1,737,370	–2,997	52,795	6,028	–33,959	1,759,237
Other plant, operating and office equipment	48,314	–20	3,717	–66	–4,343	47,602
Advance payments made and plant under construction	10,155	–21	14,389	–8,480	–18	16,025
	2,251,459	**–3,634**	**81,243**	**–1,211**	**–39,469**	**2,288,388**
Investment property	**4,667**	**0**	**0**	**1,838**	**–111**	**6,394**
	2,349,115	**–3,565**	**84,265**	**606**	**–42,073**	**2,388,348**

	Accumulated depreciation, amortization and impairment								Carrying amounts	
	As of 1/3/2017	Currency effects	Deprecia-tion, amor-tization	Impair-ment	Reversals of impair-ment	Reclassifi-cations	Disposals	As of 28/2/2018	As of 28/2/2018	As of 29/2/2017
	–5	0	0	–40	0	–1	46	0	0	0
	–52,221	–181	–45	0	0	0	52,229	–218	333	325
	–2,263	0	–2	0	0	0	0	–2,265	0	2
	–19,632	–40	–2,654	0	0	1	1,516	–20,809	16,880	15,617
	0	0	0	0	0	0	0	0	3,377	3,501
	–74,121	**–221**	**–2,701**	**–40**	**0**	**0**	**53,791**	**–23,292**	**20,590**	**19,445**
	–265,964	256	–8,073	–1,249	0	–345	248	–275,127	195,836	199,560
	–1,165,125	4,683	–55,951	–2,657	0	278	18,781	–1,199,991	612,889	594,112
	–35,977	48	–2,758	–63	0	–16	1,941	–36,825	12,462	11,625
	–253	0	0	0	0	253	0	0	9,582	15,772
	–1,467,319	**4,987**	**–66,782**	**–3,969**	**0**	**170**	**20,970**	**–1,511,943**	**830,769**	**821,069**
	–1,953	**0**	**–7**	**–1**	**23**	**13**	**0**	**–1,925**	**4,947**	**4,441**
	–1,543,393	**4,766**	**–69,490**	**–4,010**	**23**	**183**	**74,761**	**–1,537,160**	**856,306**	**844,955**

	Accumulated depreciation, amortization and impairment								Carrying amounts	
	As of 1/3/2016	Currency effects	Deprecia-tion, amor-tization	Impair-ment	Reversals of impair-ment	Reclassifi-cations	Disposals	As of 28/2/2017	As of 28/2/2017	As of 29/2/2016
	0	0	0	–5	0	0	0	–5	0	0
	–49,806	–50	–2,369	0	0	0	4	–52,221	325	2,483
	–2,616	–2	–102	0	0	0	457	–2,263	2	104
	–18,298	–16	–2,506	–689	0	16	1,861	–19,632	15,617	17,359
	0	0	0	0	0	0	0	0	3,501	2,323
	–70,720	**–68**	**–4,977**	**–694**	**0**	**16**	**2,322**	**–74,121**	**19,445**	**22,269**
	–258,755	115	–8,006	–112	0	–74	868	–265,964	199,560	196,865
	–1,120,161	1,620	–58,228	–19,879	0	977	30,546	–1,165,125	594,112	617,209
	–37,733	16	–2,777	–4	0	269	4,252	–35,977	11,625	10,581
	0	0	0	–253	0	0	0	–253	15,772	10,155
	–1,416,649	**1,751**	**–69,011**	**–20,248**	**0**	**1,172**	**35,666**	**–1,467,319**	**821,069**	**834,810**
	–1,738	**0**	**–1**	**0**	**105**	**–344**	**25**	**–1,953**	**4,441**	**2,929**
	–1,489,107	**1,683**	**–73,989**	**–20,942**	**105**	**844**	**38,013**	**–1,543,393**	**844,955**	**860,008**

26. 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 in the 'Production cost' item of the income statement. Write-downs of EUR 3,996 thousand were recorded in the reporting period (previous year: EUR 858 thousand) and write-backs totalled EUR 69 thousand (previous year: EUR 1,143 thousand). The write-downs recorded in the reporting period resulted from valuation adjustments made to reflect the net realisable value of manufactured sugar amounting to EUR 664 thousand, to work in progress for bioethanol production (EUR 1,578 thousand), and in addition to work in progress for animal feed resulting from damage loss totalling EUR 843 thousand. Write-downs in the previous year mainly related to inventories damaged by fire and other inventory damage losses.

27. TRADE RECEIVABLES

Trade receivables are made up as follows:

TRADE RECEIVABLES

in EUR thousands	28/2/2018	28/2/2017
Gross trade receivables	147,833	150,712
Impairment loss on trade receivables	–1,197	–1,320
Balance sheet amount	**146,636**	**149,392**

Information on the default risks and the age structure of trade receivables is given in Note 43.2. Expenses for impairments on trade receivables in the reporting period amounted to EUR 758 thousand (previous year: EUR 66 thousand).

28. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties are made up as follows:

RECEIVABLES FROM RELATED PARTIES

in EUR thousands	28/2/2018	28/2/2017
Receivables from joint ventures	596	201
Receivables from other related parties	3	14
Balance sheet amount	**599**	**215**

Details on the default risks and the age structure can be found in Note 43.2.

29. FINANCIAL ASSETS

Financial assets are made up as follows:

FINANCIAL ASSETS

in EUR thousands	28/2/2018	28/2/2017
Securities held	114,998	34,996
Positive fair value of derivative financial instruments	4,690	4,982
Claims for damages	5	1,498
Other financial assets	5,111	5,166
Balance sheet amount	**124,804**	**46,642**

The securities held are fixed-income investments with a term of less than one year.

Details on the default risks and the age structure can be found in Note 43.2.

30. OTHER ASSETS

Other assets are made up as follows:

OTHER ASSETS

in EUR thousands	28/2/2018	28/2/2017
Receivables from other taxes	19,251	15,493
Miscellaneous other assets	11,421	11,765
Balance sheet amount	**30,672**	**27,258**

Miscellaneous other assets in the comparative period relate mainly to interest owed on the court-ordered repayment of production levies for prior years.

31. 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 7 thousand (previous year: EUR 48 thousand). The income, expenses and cash flows in the reporting period and the previous year generated by these assets was not material.

32. 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 2018, the equity ratio came to 65.5 per cent (previous year: 64.9 per cent). The Executive Board will put a proposal at the Annual General Meeting to distribute a dividend of EUR 1.20 per share (previous year: EUR 1.10 per share).

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.

32.1. SUBSCRIBED CAPITAL

At the end of the reporting period, subscribed capital (ordinary 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 ordinary share capital by up to 11.11 per cent or up to EUR 13,739,036.16 (authorized share capital).

The ordinary 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.

32.2. CAPITAL RESERVES

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

32.3. 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 balance sheet, the balancing item from the conversion of financial statements in foreign currencies was offset against retained earnings.

Retained earnings include statutory reserves of ten 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.

32.4. OTHER COMPREHENSIVE INCOME

Other comprehensive income is made up as follows:

OTHER COMPREHENSIVE INCOME

in EUR thousands	28/2/2018	28/2/2017
Remeasurement of defined benefit plans	–80,979	–83,166
Exchange differences on translating foreign operations	20,687	28,166
Net result of cash flow hedges	454	1,608
Balance sheet amount	**–59,838**	**–53,392**

32.5. NON-CONTROLLING INTERESTS

Non-controlling interests exist primarily in the following companies:

NON-CONTROLLING INTERESTS

in EUR thousands	28/2/2018	28/2/2017
Sucros Oy	23,456	23,133
AB Nordic Sugar Kėdainiai	13,321	14,695
Norddeutsche Flüssigzucker GmbH & Co. KG	2,529	2,328
Považský Cukor a.s.	1,591	1,472
Nordzucker Polska S.A.	138	103
Balance sheet amount	**41,035**	**41,731**

Total net income for the period attributable to non-controlling interests amounting to EUR 3,016 thousand primarily relate to AB Nordic Sugar Kėdainiai (EUR 1,257 thousand), Sucros Oy (EUR 1,350 thousand) and Norddeutsche Flüssigzucker GmbH & Co. KG (EUR 259 thousand).

In the previous year, total net income for the period attributable to non-controlling interests of EUR 2,661 thousand related primarily to AB Nordic Sugar Kėdainiai (EUR 2,079 thousand), Sucros Oy (EUR 387 thousand) and Norddeutsche Flüssigzucker GmbH & Co. KG. (EUR 155 thousand).

33. PENSION OBLIGATIONS

Provisions for pension obligations are made for accrued and current benefits accruing to currently active and former members of staff of 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 11,400 thousand (previous year: EUR 11,091 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

	2017/2018 reporting period		2016/2017 comparative period	
%	**Domestic**	**Foreign**	Domestic	Foreign
Discount rate	1.90	2.32	1.80	2.10
Salary increase	2.50	2.75	2.50	2.50
Pension increase	1.50	1.80	1.50	1.70

For domestic companies in the Nordzucker Group, the assumptions for life expectancy are taken from the actuarial tables 2005 G by Dr Klaus Heubeck.

With a discount rate of 1.9 per cent (previous year: 1.8 per cent) the duration of domestic obligations was 19.5 years (previous year: 20.2 years). With a discount rate of 2.32 per cent (previous year: 2.1 per cent) the duration of foreign obligations was 13.0 years (previous year: 13.0 years).

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

SENSITIVITY ANALYSIS

	2017/2018 reporting period		2016/2017 comparative period	
%	**Domestic**	**Foreign**	Domestic	Foreign
Discount rate				
+0.5	–7.54	–6.79	–7.81	–5.79
–0.5	8.59	7.54	8.92	6.42
Salary increase				
+0.5	0.39	1.73	0.44	1.35
–0.5	–0.37	–1.54	–0.42	–1.30
Pension increase				
+0.5	4.42	6.33	4.63	5.40
–0.5	–4.06	–5.85	–4.26	–4.99

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

CHANGE IN PENSION PROVISIONS

	Defined benefit obligation			Plan assets			Net liability
in EUR thousands	Domestic	Foreign	Total	Domestic	Foreign	Total	Total
As of 1/3/2016	**242,698**	**49,017**	**291,715**	**52,315**	**6,045**	**58,360**	**233,355**
Service cost	4,419	507	4,926	/	/	/	4,926
Interest expense/interest income	4,369	932	5,301	1,174	95	1,269	4,032
Total recognized on the income statement	**8,788**	**1,439**	**10,227**	**1,174**	**95**	**1,269**	**8,958**
Return on plan assets	/	/	/	838	–37	801	–801
Actuarial gains/losses	–2,509	–3,479	–5,988	/	/	/	–5,988
Total remeasurements (not recorded in the income statement)	**–2,509**	**–3,479**	**–5,988**	**838**	**–37**	**801**	**–6,789**
Payments made for reinsurance	/	/	/	152	1	153	–153
Reimbursements from reinsurance	/	/	/	–5,331	–648	–5,979	5,979
Pension payments made	–8,856	–2,836	–11,692	0	0	0	–11,692
Exchange rate differences and other adjustments	/	–507	–507	/	0	0	–507
As of 28/2/2017	**240,121**	**43,634**	**283,755**	**49,148**	**5,456**	**54,604**	**229,151**
Service cost	4,233	377	4,610	/	/	/	4,610
Interest expense/interest income	4,322	691	5,013	885	65	950	4,063
Other value changes	0	–8	–8	0	0	0	–8
Total recognized on the income statement	**8,555**	**1,060**	**9,615**	**885**	**65**	**950**	**8,665**
Return on plan assets	/	/	/	–785	–46	–831	831
Actuarial gains/losses	–3,770	213	–3,557	/	/	/	–3,557
Total remeasurements (not recorded in the income statement)	**–3,770**	**213**	**–3,557**	**–785**	**–46**	**–831**	**–2,726**
Payments made for reinsurance	/	/	/	102	37	139	–139
Reimbursements from reinsurance	/	/	/	–4,987	–595	–5,582	5,582
Pension payments made	–8,799	–2,734	–11,533	0	0	0	–11,533
Exchange rate differences and other adjustments	/	–1,341	–1,341	/	0	0	–1,341
As of 28/2/2018	**236,107**	**40,832**	**276,939**	**44,363**	**4,917**	**49,280**	**227,659**

Actuarial losses (gains) in the reporting period resulted primarily from changes in the actuarial assumptions (discount rate); internationally, adjustments based on past experience also led to the recognition of actuarial losses. The actuarial losses in the comparative period were primarily attributable to differences between the forecast and actual mortality; furthermore, actuarial losses were recognized as a result of changes to the financial assumptions (discount rate, pension increase) abroad.

For the 2018/2019 reporting period, contributions to plan assets are expected to amount to EUR 725 thousand (previous year: EUR 693 thousand).

34. OTHER PROVISIONS

Other provisions are made up as follows:

OTHER PROVISIONS

in EUR thousands	As of 28/2/2017	Exchange rate effects	Additions/ reclassifica-tions	Usage	Reversal	**As of 28/2/2018**
Litigation risks and risk provisions	47,161	0	34,794	–6,406	–485	75,064
Staff-related provisions	24,321	41	13,704	–18,457	–1,054	18,555
Provisions for suppliers and customers	7,747	23	13,168	–8,146	–365	12,427
Miscellaneous other provisions	29,716	–144	7,819	–5,679	–847	30,865
Balance sheet amount	**108,945**	**–80**	**69,485**	**–38,688**	**–2,751**	**136,911**

Provisions for litigation risks and other risks were mainly made to reflect the risks of various ongoing legal proceedings and other legal risks. Additions recognized in the reporting period relate largely to forecast legal consultancy fees.

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.

Provisions for suppliers and customers relate to variable payments to beet suppliers and to bonus and commission payments to customers.

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.

35. FINANCIAL LIABILITIES

Financial liabilities are made up as follows:

FINANCIAL LIABILITIES

in EUR thousands	**28/2/2018**	28/2/2017
Liabilities to banks	4,463	11,793
Liabilities from finance lease arrangements	1,471	1,748
Balance sheet amount	**5,934**	**13,541**

A syndicated loan has been taken out for an initial period of five years to secure the Nordzucker Group's access to liquidity. The syndicated loan is available to fund short-term operating business and includes a revolving credit for EUR 344,500 thousand, of which EUR 344,500 thousand was unused 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.

36. TRADE PAYABLES

Trade payables are made up as follows:

TRADE PAYABLES

in EUR thousands	**28/2/2018**	28/2/2017
Liabilities towards sugar beet suppliers	121,609	135,253
Other trade payables	94,020	87,485
Balance sheet amount	**215,629**	**222,738**

37. LIABILITIES TOWARDS RELATED PARTIES

Liabilities towards related parties are made up as follows:

LIABILITIES TOWARDS RELATED PARTIES

in EUR thousands	**28/2/2018**	28/2/2017
Liabilities towards joint ventures	5,805	5,926
Liabilities towards other related parties	33,300	26,905
Balance sheet amount	**39,105**	**32,831**

38. OTHER FINANCIAL LIABILITIES

Other financial liabilities are made up as follows:

OTHER FINANCIAL LIABILITIES

in EUR thousands	**28/2/2018**	28/2/2017
Negative fair value of derivative financial instruments	5,482	1,289
Miscellaneous financial liabilities	1,174	2,949
Balance sheet amount	**6,656**	**4,238**

39. OTHER LIABILITIES

Other liabilities are made up as follows:

OTHER LIABILITIES

in EUR thousands	**28/2/2018**	28/2/2017
Outstanding social security contributions	16,487	18,893
Investment grants, subsidies and other support payments	5,344	5,701
Deferrals	3,234	2,665
Advance payments received for orders	87	201
Miscellaneous other liabilities	9,001	8,797
Balance sheet amount	**34,153**	**36,257**

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 year and the previous year, the miscellaneous other liabilities primarily comprised tax liabilities.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

40. 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.

41. OTHER DISCLOSURES REGARDING THE CASH FLOW STATEMENT

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

Dividends of EUR 7,628 thousand received in the reporting period were accounted for within cash flow from operating activities (previous year: EUR 3,763 thousand).

OTHER DISCLOSURES

42. 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:

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

		LaR [1]	AfS [2]		FAFVPL/ FLFVPL [3]	FLAC [4]	No category
in EUR thousands	As of 28/2/2018	Amortized cost	Cost	Fair value	Fair value	Amortized cost	Fair value
Non-current assets							
Other financial investments	23,032	0	23,032	0	0	/	0
Financial assets	373	0	0	0	373	/	0
Current assets							
Trade receivables	146,636	146,636	0	0	/	/	/
Receivables from related parties	599	599	0	0	/	/	/
Financial assets	124,431	115,003	0	0	2,779	/	6,649
Cash and cash equivalents	306,908	306,908	/	0	0	/	/
Non-current liabilities							
Financial liabilities	1,197	/	/	/	0	1,197	0
Liabilities towards related parties	5,500	/	/	/	0	5,500	0
Other financial liabilities	378	/	/	/	378	0	0
Current liabilities							
Financial liabilities	4,737	/	/	/	0	4,737	0
Trade payables	215,629	/	/	/	0	215,629	0
Liabilities towards related parties	33,605	/	/	/	0	33,605	0
Other financial liabilities	6,278	/	/	/	4,148	1,174	956
Total assets	**601,979**	**569,146**	**23,032**	**0**	**3,152**	**/**	**6,649**
Total liabilities	**267,324**	**/**	**/**	**/**	**4,526**	**261,842**	**956**

1 Measurement category 'Loans and receivables'
2 Measurement category 'Available-for-sale financial assets'
3 Measurement category 'Financial assets at fair value through profit or loss' or 'Financial liabilities at fair value through profit or loss'
4 Measurement category 'Financial liabilities measured at amortized cost'

The following table shows the carrying amounts of financial assets and financial liabilities by measurement category for the comparative period:

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

		LaR [1]	AfS [2]		FAFVPL/ FLFVPL [3]	FLAC [4]	No category
in EUR thousands	As of 28/2/2017	Amortized cost	Cost	Fair value	Fair value	Amortized cost	Fair value
Non-current assets							
Other financial investments	23,040	0	23,040	0	0	/	0
Financial assets	0	0	0	0	0	/	0
Current assets							
Trade receivables	149,392	149,392	0	0	/	/	/
Receivables from related parties	215	215	0	0	/	/	/
Financial assets	46,642	36,494	0	0	2,957	/	7,191
Cash and cash equivalents	321,814	321,814	/	0	0	/	/
Non-current liabilities							
Financial liabilities	1,471	/	/	/	0	1,471	0
Liabilities towards related parties	5,500	/	/	/	0	5,500	0
Other financial liabilities	0	/	/	/	0	0	0
Current liabilities							
Financial liabilities	12,070	/	/	/	0	12,070	0
Trade payables	222,738	/	/	/	0	222,738	0
Liabilities towards related parties	27,331	/	/	/	0	27,331	0
Other financial liabilities	4,238	/	/	/	1,289	2,949	0
Total assets	**541,103**	**507,915**	**23,040**	**0**	**2,957**	**/**	**7,191**
Total liabilities	**273,348**	**/**	**/**	**/**	**1,289**	**272,059**	**0**

1 Measurement category 'Loans and receivables'
2 Measurement category 'Available-for-sale financial assets'
3 Measurement category 'Financial assets at fair value through profit or loss' or 'Financial liabilities at fair value through profit or loss'
4 Measurement category 'Financial liabilities measured at amortized cost'

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 are as follows:

NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS

in EUR thousands	**1/3/2017 –28/2/2018**	1/3/2016 –28/2/2017
Loans and receivables (LaR)	–1,117	2,009
Available-for-sale financial assets (AfS)	7,634	3,826
Financial assets/liabilities at fair value through profit or loss (FAFVPL/FLFVPL)	3,048	–5,111
Financial liabilities measured at amortized cost (FLAC)	–1,805	–3,096
Total	**7,760**	**–2,372**

Changes in the market value of derivative financial instruments are recognized under financial asset/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’.

Loans and receivables 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 resulting 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 ‘Available-for-sale financial assets’ includes dividends, which are recognized in the income statement under ‘Financial income’ or ‘Financial expenses’.

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

The items ‘Financial income’ and ‘Financial expenses’ included in the income statement includes interest income of EUR 1,083 thousand (previous year: EUR 1,293 thousand) and interest expenses of EUR 1,805 thousand (previous year: EUR 3,096 thousand) from financial instruments not held 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.

43. RISK MANAGEMENT

43.1. 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, exchange rate and 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.

43.2. 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. Identifiable default risks are accounted for by impairments, whereby the risk of default on receivables is mostly limited by trade credit insurance.

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.

The following table shows total carrying amounts, the carrying amounts for financial assets which are neither past due nor impaired and the age structure of financial assets which are not impaired but past due, for the financial assets:

AGE STRUCTURE OF FINANCIAL ASSETS

			Not impaired at the end of the reporting period and past due as follows:				
in EUR thousands	**Total carrying amount**	Neither impaired nor past due at the end of the reporting period	Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	More than 180 days
As of 28/2/2018							
Other financial investments	23,032	23,032	0	0	0	0	0
Financial assets (excluding derivative financial instruments), receivables from related parties	121,086	121,086	0	0	0	0	0
Trade receivables	146,636	140,172	6,029	117	13	78	173
Total	**290,754**	**284,290**	**6,029**	**117**	**13**	**78**	**173**
As of 28/2/2017							
Other financial investments	23,040	23,040	0	0	0	0	0
Financial assets (excluding derivative financial instruments), receivables from related parties	41,875	41,875	0	0	0	0	0
Trade receivables	149,392	141,584	6,638	337	59	263	379
Total	**214,307**	**206,499**	**6,638**	**337**	**59**	**263**	**379**

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 Nordzucker Group's debtors will not fulfil their payment obligations.

Financial assets that are shown in the table above under 'Financial investments', 'Financial assets (excluding derivative financial instruments), receivables from related parties' or 'Trade receivables' have a gross carrying amount (i.e. carrying amount before impairments) of EUR 291,951 thousand (previous year: EUR 215,627 thousand). Impairments of EUR 758 thousand (previous year: EUR 66 thousand).

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

43.3. 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, the liquidity needs are monitored and planned centrally. Sufficient cash and short-term credit lines are 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 1–5 years	Remaining term of more than five years
As of 28/2/2018					
Financial liabilities	5,934	–6,336	–4,850	–1,069	–417
Trade payables	215,629	–215,629	–215,629	0	0
Other financial liabilities, liabilities towards related parties	40,657	–40,763	–34,885	–5,878	0
Derivative financial liabilities	5,104	–5,104	–5,104	0	0
Derivative financial assets	–4,317	4,317	4,317	0	0
Total	**263,007**	**–263,515**	**–256,151**	**–6,947**	**–417**
As of 28/2/2017					
Financial liabilities	13,541	–14,067	–12,209	–1,173	–685
Trade payables	222,738	–222,738	–222,738	0	0
Other financial liabilities, liabilities towards related parties	35,780	–35,883	–30,383	–5,500	0
Derivative financial liabilities	1,289	–1,289	–1,289	0	0
Derivative financial assets	–4,982	4,982	4,982	0	0
Total	**268,366**	**–268,995**	**–261,637**	**–6,673**	**–685**

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.

43.4. 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 ten 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 IAS 39 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 by using derivatives, so that the remaining net risk exposure is insignificant.

b. Interest rate risk

Due to its borrowing activities, the Nordzucker Group is exposed to interest rate risk. Financing is arranged in various currency areas, although the most frequent currency is the Euro. Interest rate risks from financing activities denominated in Swedish krone, 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. The 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.

In terms of its investments, the Nordzucker Group has been faced by a new development across Europe since the 2015/2016 financial year. The new reserve policy of the European Central Bank and other central banks, entailing negative interest rates on banks' reserve facilities, resulted in increasing pressure on the interest rates paid on the credit balances of corporate clients. A number of institutes are already demanding negative interest rates on deposits. The Nordzucker Group responded to this trend early on and remains in a position that gives it considerable scope to invest money without negative interest rates. In addition, the Nordzucker Group now also invests cash and cash equivalents in money market securities. The aim here is to limit expenses caused by negative interest rates while taking acceptable risks.

c. Commodity risk

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

d. Hedging activities

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

As a rule, the existing interest rate risk for floating-rate loans is reduced by means of interest rate derivatives. All interest rate derivatives are designated as cash flow hedges in hedging relationships under IAS 39. At the end of the reporting period, the Nordzucker Group had not taken out any interest rate derivatives, since based on its financial planning it could not identify any exposure to interest rate risk as of this date.

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 and 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, the Group holds derivative financial instruments aimed at hedging currency risks and price risks for sugar and energy (oil). Almost all of the derivative financial instruments mature within one year.

In order to protect itself from fluctuations in the consolidated net income for the period due to oil price and exchange rate movements, Nordzucker has designated future purchases of oil (expected transactions in October, November, December 2017 and 2018) as underlying transactions for cash flow hedging purposes. The hedging instruments used are forward transactions on commodities (oil futures) and currency futures, which had positive fair values totalling EUR 1,538 thousand as of the end of the reporting period (previous year: EUR 2,025 thousand) and negative fair values totalling EUR 956 thousand) (previous year: EUR 0 thousand). During the reporting period, income after deferred taxes of EUR 347 thousand (previous year: EUR 1,579 thousand) was recognized outside of profit or loss (i.e. in other comprehensive income in the statement of comprehensive income). In addition, an amount of EUR 1,883 thousand was reclassified from other comprehensive income and presented as a reduction in the cost of inventory (previous year: EUR 0 thousand). As a result of sales of these inventories, the 'Production cost' expenses presented in the income statement were reduced by EUR 581 thousand (previous year: EUR 0 thousand). No amounts were recognized in the income statement as ineffective components of hedging relationships in the reporting period or in the comparative period.

A sensitivity analysis for the market values in the balance sheet 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).

44. 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 associates 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	**28/2/2018**	28/2/2017
Balance sheet		
Receivables from related parties	599	215
Liabilities towards related parties	39,105	32,831
Income statement		
Services provided to related parties	569	519
Net financial result	–461	–240

The receivables from related parties in the reporting period of EUR 565 thousand (previous year: EUR 164 thousand) primarily relate to August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG.

Of the liabilities towards related parties in the reporting period, EUR 11,308 thousand was owed to Nordzucker Holding AG, Braunschweig, EUR 3,420 thousand to SWEETGREDIENTS GmbH & Co. KG, Nordstemmen, EUR 5,746 thousand to MEF Melasse-Extraktion Frellstedt GmbH, Frellstedt, and EUR 17,188 thousand to Union Zucker Südhannover GmbH, Nordstemmen. Of the liabilities towards related parties in the comparative period, EUR 9,448 thousand was owed to Nordzucker Holding AG, Braunschweig, EUR 3,417 thousand to SWEETGREDIENTS GmbH & Co. KG, Nordstemmen, EUR 5,846 thousand to MEF Melasse-Extraktion Frellstedt GmbH, Frellstedt, and EUR 12,759 thousand to Union Zucker Südhannover GmbH, Nordstemmen.

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

The provision of services for related companies primarily concerns NP Sweet A/S, Copenhagen, and the net financial result is from associated companies and joint ventures.

45. CONTINGENT LIABILITIES

As of the end of the reporting periods in the reporting year and the previous year, there were no contingent liabilities towards third parties outside the Group.

46. OTHER FINANCIAL OBLIGATIONS AND CONTINGENT RECEIVABLES

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

OTHER FINANCIAL OBLIGATIONS

in EUR thousands	28/2/2018	28/2/2017
Purchase commitments for property, plant and equipment	13,997	16,692
Purchase commitments for intangible assets	37	66
Obligations from finance leases	1,857	2,249
Obligations from operating leases	8,299	9,736
Total	**24,190**	**28,743**

As of the end of the reporting period, total future payment obligations from rental and lease contracts are as follows:

RENTAL AND LEASING AGREEMENTS

in EUR thousands	Remaining term of up to one year	Remaining term of 1–5 years	Remaining term of more than five years	Total
Future payments for finance leases	371	1,069	417	**1,857**
Future payments for operating leases	4,487	3,812	0	**8,299**

At the end of the reporting period, future payments under finance leases are as follows:

FINANCE LEASES

in EUR thousands	Remaining term of up to one year	Remaining term of 1–5 years	Remaining term of more than five years	Total
Principal repayments	274	816	390	**1,480**
Interest	97	253	27	**377**
Payment	**371**	**1,069**	**417**	**1,857**

At the end of the reporting period, there are contingent receivables in the Nordzucker Group from the reimbursement of production levies in the 1999/2000 and 2000/2001 financial years. The amount owed to the Nordzucker Group from these contingent receivables is subject to estimation uncertainty; the amount is estimated to be up to EUR 7,807 thousand plus taxes.

47. AUDITORS' FEES

Companies in the Nordzucker Group purchased services for a total amount of EUR 303 thousand from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (previous year: EUR 379 thousand) in connection with the statutory audit of financial statements for the Nordzucker Group and Nordzucker AG and for a total amount of EUR 4 thousand (previous year: EUR 2 thousand) for tax advisory services and other services for a total of EUR 121 thousand (previous year: EUR 76 thousand).

48. SUPERVISORY BOARD AND EXECUTIVE BOARD

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

SUPERVISORY BOARD

Shareholder representatives
Hans-Christian Koehler,
Farmer, Barum,
Chairman

Jochen Johannes Juister,
Farmer, Nordhastedt
Deputy Chairman

Helmut Bleckwenn,
Farmer, Garmissen

Gerhard Borchert (until 6/7/2017),
Farmer, Brome

Hans Jochen Bosse,
Farmer, Ohrum

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

Joachim Engelke (until 6/7/2017),
Farmer, Giesen OT Hasede

Michael Gerlif (until 6/7/2017),
Management Consultant, Copenhagen (DK)

Friedrich Christoph Heins,
Farmer, Uehrde

Dr Harald Isermeyer,
Farmer, Vordorf

Dr Hans Theo Jachmann (until 6/7/2017),
Agricultural Engineer, Limeshain

Rainer Knackstedt,
Farmer, Dedeleben

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

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

Employee representatives
Sigrun Krussmann,
Laboratory Technician, Seelze
Deputy Chairwoman (from 7/7/2017)

Dieter Woischke (until 6/7/2017),
Electrician, Algermissen,
Deputy Chairman

Steffen Blümel (from 7/7/2017),
Energy Facility Electrician, Uelzen

Ulf Gabriel,
Electrician, Banteln

Gerd von Glowczewski (until 6/7/2017),
Metalworker, Schladen

Olaf Joern,
Mechatronics Engineer, Uelzen

Matthias Kranz (from 7/7/2017),
Human Resources Administrator, Groß Schwülper

Marie Neumann, nee. Lohel (until 6/7/2017),
Energy Electronics Engineer, Magdeburg

Marina Strootmann (until 6/7/2017),
Industrial Clerk, Braunschweig

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

EXECUTIVE BOARD

Hartwig Fuchs (until 28/2/2018),
Hamburg, Chairman of the Executive Board,
Chief Executive Officer

Dr Lars Gorissen,
Braunschweig, Speaker of the Executive Board (from 1/3/2018), Chief Agriculture Officer

Axel Aumüller,
Braunschweig, Chief Operating Officer

Erik Bertelsen (from 1/11/2017)
Braunschweig, Chief Marketing Officer

Dr Michael Noth,
Braunschweig, Chief Financial Officer

49. 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.

49.1. 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 annual salary, paid in twelve equal monthly instalments, as well as an earnings and performance-related payment. The variable bonus, plus any special remuneration, can be up to a maximum of 50 per cent of total compensation (total compensation is made up of fixed annual salary and the variable bonus, 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. Notwithstanding the description in paragraph 4.2.3 of the German Corporate Governance Code (GCGC) (version dated 7 February 2017), which is based on the legal provision for listed companies set out in Sec. 87 paragraph 1 AktG, the variable remuneration components following the change in the system of remuneration as of 1 March 2016 do not include a long-term assessment basis.

The remuneration for the individual members of the Executive Board together former Executive Board member Mats Liljestam for the 2016/2017 comparative period and for the 2017/2018 reporting period was as follows:

REMUNERATION OF EXECUTIVE BOARD MEMBERS 2017/2018

HARTWIG FUCHS
CHAIRMAN OF THE EXECUTIVE BOARD SINCE 1 FEBRUARY 2010

EUR	2016/17	**2017/18**	2017/18 Minimum	2017/18 Maximum	2016/17 Allocation	2017/18 Allocation
Fixed remuneration	750,000	750,000	750,000	750,000	750,000	750,000
Fringe benefits	19,531	21,565	21,565	21,565	19,531	21,565
Total	**769,531**	**771,565**	**771,565**	**771,565**	**769,531**	**771,565**
One-year variable remuneration	213,750	135,982	0	250,000	108,793	213,750
Long-term variable remuneration						
LTI (period from 2012/2013 to 2014/2015)	0	0	0	0	0	0
LTI (period from 2013/2014 to 2015/2016)	0	0	0	0	157,178	0
Miscellaneous	0	0	0	0	0	0
Total	**213,750**	**135,982**	**0**	**250,000**	**265,971**	**213,750**
Retirement benefit expenses	160,000	160,000	160,000	160,000	160,000	160,000
Total remuneration	**1,143,281**	**1,067,547**	**931,565**	**1,181,565**	**1,195,502**	**1,145,315**

AXEL AUMÜLLER
MEMBER OF THE EXECUTIVE BOARD SINCE 9 NOVEMBER 2009

EUR	2016/17	**2017/18**	2017/18 Minimum	2017/18 Maximum	2016/17 Allocation	2017/18 Allocation
Fixed remuneration	550,000	550,000	550,000	550,000	550,000	550,000
Fringe benefits	19,363	19,802	19,802	19,802	19,363	19,802
Total	**569,363**	**569,802**	**569,802**	**569,802**	**569,363**	**569,802**
One-year variable remuneration	149,625	95,002	0	175,000	75,682	149,625
Long-term variable remuneration						
LTI (period from 2012/2013 to 2014/2015)	0	0	0	0	0	0
LTI (period from 2013/2014 to 2015/2016)	0	0	0	0	109,342	0
Miscellaneous	0	0	0	0	0	0
Total	**149,625**	**95,002**	**0**	**175,000**	**185,024**	**149,625**
Retirement benefit expenses	125,000	125,000	125,000	125,000	125,000	125,000
Total remuneration	**843,988**	**789,804**	**694,802**	**869,802**	**879,387**	**844,427**

DR LARS GORISSEN
MEMBER OF THE EXECUTIVE BOARD SINCE 1 MARCH 2014

EUR	2016/17	**2017/18**	2017/18 Minimum	2017/18 Maximum	2016/17 Allocation	2017/18 Allocation
Fixed remuneration	550,000	550,000	550,000	550,000	550,000	550,000
Fringe benefits	15,737	15,220	15,220	15,220	15,737	15,220
Total	**565,737**	**565,220**	**565,220**	**565,220**	**565,737**	**565,220**
One-year variable remuneration	149,625	91,875	0	175,000	66,222	149,625
Long-term variable remuneration						
LTI (period from 2012/2013 to 2014/2015)	0	0	0	0	0	0
LTI (period from 2013/2014 to 2015/2016)	0	0	0	0	95,674	0
Miscellaneous	0	0	0	0	0	0
Total	**149,625**	**91,875**	**0**	**175,000**	**161,896**	**149,625**
Retirement benefit expenses	125,000	125,000	125,000	125,000	125,000	125,000
Total remuneration	**840,362**	**782,095**	**690,220**	**865,220**	**852,633**	**839,845**

ERIK BERTELSEN
MEMBER OF THE EXECUTIVE BOARD SINCE 1 NOVEMBER 2017

EUR	2016/17	**2017/18**	2017/18 Minimum	2017/18 Maximum	2016/17 Allocation	2017/18 Allocation
Fixed remuneration	0	133,333	133,333	133,333	0	133,333
Fringe benefits	0	2,740	2,740	2,740	0	2,740
Total	**0**	**136,073**	**136,073**	**136,073**	**0**	**136,073**
One-year variable remuneration	0	28,583	0	58,333	0	0
Long-term variable remuneration						
LTI (period from 2013/2014 to 2015/2016)	0	0	0	0	0	0
LTI (period from 2014/2015 bis 2016/2017)	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total	**0**	**28,583**	**0**	**58,333**	**0**	**0**
Retirement benefit expenses	0	41,667	41,667	41,667	0	41,667
Total remuneration	**0**	**206,323**	**177,740**	**236,073**	**0**	**177,740**

DR MICHAEL NOTH
MEMBER OF THE EXECUTIVE BOARD SINCE 16 AUGUST 2009

EUR	2016/17	2017/18	2017/18 Minimum	2017/18 Maximum	2016/17 Allocation	2017/18 Allocation
Fixed remuneration	585,000	585,000	585,000	585,000	585,000	585,000
Fringe benefits	17,261	16,791	16,791	16,791	17,261	16,791
Total	**602,261**	**601,791**	**601,791**	**601,791**	**602,261**	**601,791**
One-year variable remuneration	149,625	95,002	0	175,000	75,682	149,625
Long-term variable remuneration						
LTI (period from 2012/2013 to 2014/2015)	0	0	0	0	0	0
LTI (period from 2013/2014 to 2015/2016)	0	0	0	0	109,342	0
Miscellaneous	0	0	0	0	0	0
Total	**149,625**	**95,002**	**0**	**175,000**	**185,024**	**149,625**
Retirement benefit expenses	125,000	125,000	125,000	125,000	125,000	125,000
Total remuneration	**876,886**	**821,793**	**726,791**	**901,791**	**912,285**	**876,416**

MATS LILJESTAM
MEMBER OF THE EXECUTIVE BOARD UNTIL 25 DECEMBER 2015

EUR	2016/17	2017/18	2017/18 Minimum	2017/18 Maximum	2016/17 Allocation	2017/18 Allocation
Fixed remuneration	166,667	0	0	0	166,667	0
Fringe benefits	912	0	0	0	912	0
Total	**167,579**	**0**	**0**	**0**	**167,579**	**0**
One-year variable remuneration	9,270	0	0	0	45,097	0
Long-term variable remuneration						
LTI (period from 2012/2013 to 2014/2015)	0	0	0	0	0	0
LTI (period from 2013/2014 to 2015/2016)	0	0	0	0	95,186	0
LTI (period from 2014/2015 bis 2016/2017)	15,671	0	0	0	15,671	0
Miscellaneous	0	0	0	0	0	0
Total	**24,941**	**0**	**0**	**0**	**155,954**	**0**
Retirement benefit expenses	27,783	0	0	0	27,783	0
Total remuneration	**220,303**	**0**	**0**	**0**	**351,316**	**0**

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 822 thousand (previous year: EUR 811 thousand). Nordzucker AG recognized provisions of EUR 11,402 thousand (previous year: EUR 11,891 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.

The above tables on Executive Board remuneration correspond to the tables recommended in the German Corporate Governance Code as of the last financial year (Recommendation 4.2.5 of the GCGC in conjunction with the sample tables).

The first column shows the Executive Board remuneration granted in the 2016/2017 comparative period. This remuneration is broken down into (i) fixed remuneration, (ii) fringe benefits (such as the provision of company cars), (iii) one-year variable remuneration, (iv) long-term variable remuneration, (v) miscellaneous and (vi) retirement benefit expenses.

The second column indicates the Executive Board remuneration for the 2017/2018 reporting year, which is broken down in the same way.

The third and fourth columns present the minimum and maximum Executive Board remuneration attainable for the 2017/2018 reporting period. In respect of the fixed remuneration, the fringe benefits and the retirement benefit expenses, the minimum and maximum remuneration, as well as the actual remuneration granted, are identical. The minimum amount of one-year variable remuneration is zero. The minimum and the maximum amount of long-term variable remuneration for the members of the Executive Board have been zero since the 2017/2018 reporting year, as no long-term variable remuneration is been granted following the change in the remuneration system.

The fifth column shows the actual payment in the 2016/2017 comparative year and the sixth column shows the actual payment in the 2017/2018 reporting period. Variable remuneration in particular is paid out in the following financial year (i.e. the variable remuneration for the 2016/2017 comparative period is paid out in the 2017/2018 reporting year. As a result, the amounts shown in the fifth (and sixth) columns deviate from those shown in the first (and second) columns.

49.2. 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 Chairman and Deputy Chairman of the Supervisory Board and the Chairmen of committees as well as those participating in them receive additional remuneration (with the exception of the Nomination Committee).

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

In accordance with these rules, members of the Supervisory Board receive a fixed salary of EUR 18,000 and a dividend-related payment of EUR 90 for every EUR 0.01 of dividend paid out per share on average over the past three years. Subject to approval at the Annual General Meeting, the dividend for the 2017/2018 reporting period will be EUR 1.20 per share (2016/2017 reporting period: EUR 1.10; 2015/2016 reporting period: EUR 0.10). 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, while the Deputies and the Chairman of the Committee 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 2017/2018 reporting period:

REMUNERATION OF SUPERVISORY BOARD MEMBERS 2017/18

EUR	Fixed remu-neration*	Variable remu-neration*	Total	Factor	Pro rata	**Total remu-neration**	**Atten-dance fee***	**Total**	**Total previous year**
Hans-Christian Koehler	18,000	7,200	25,200	2,5	365/365	63,000	5,400	68,400	60,600
Jochen Johannes Juister	18,000	7,200	25,200	1,4	365/365	35,280	4,200	39,480	35,244
Dieter Woischke	18,000	7,200	25,200	1,4	128/365	12,372	900	13,272	34,644
Michael Gerlif	18,000	7,200	25,200	1,4	128/365	12,372	1,200	13,572	35,244
Dr Harald Isermeyer	18,000	7,200	25,200	1,2	365/365	30,240	3,900	34,140	30,852
Marina Strootmann	18,000	7,200	25,200	1,2	128/365	10,605	900	11,505	29,352
Ulf Gabriel	18,000	7,200	25,200	1,2	365/365	30,240	3,000	33,240	29,352
Sigrun Krussmann	18,000	7,200	25,200	1,4	237/365	22,908	2,400	25,308	30,252
Sigrun Krussmann (partial)	18,000	7,200	25,200	1,2	128/365	10,605	1,200	11,805	0
Hans-Jochen Bosse	18,000	7,200	25,200	1,2	365/365	30,240	300	30,540	29,352
Grit Worsch	18,000	7,200	25,200	1,2	365/365	30,240	3,600	33,840	29,352
Gerhard Borchert	18,000	7,200	25,200	1,0	128/365	8,837	900	9,737	24,360
Helmut Bleckwenn	18,000	7,200	25,200	1,0	365/365	25,200	2,400	27,600	24,360
Matthias Kranz	18,000	7,200	25,200	1,2	237/365	19,635	1,500	21,135	0
Steffen Blümel	18,000	7,200	25,200	1,2	237/365	19,635	2,100	21,735	0
Dr Karl-Heinz Engel	18,000	7,200	25,200	1,0	365/365	25,200	1,800	27,000	23,460
Joachim Engelke	18,000	7,200	25,200	1,0	128/365	8,837	600	9,437	23,760
Friedrich Christoph Heins	18,000	7,200	25,200	1,2	237/365	19,635	1,800	21,435	23,760
Friedrich Christoph Heins (partial)	18,000	7,200	25,200	1,0	128/365	8,837	900	9,737	0
Dr Hans Theo Jachmann	18,000	7,200	25,200	1,0	128/365	8,837	900	9,737	24,060
Olaf Joern	18,000	7,200	25,200	1,2	237/365	19,635	1,800	21,435	23,760
Olaf Joern (partial)	18,000	7,200	25,200	1,0	128/365	8,837	900	9,737	0
Rainer Knackstedt	18,000	7,200	25,200	1,0	365/365	25,200	1,500	26,700	23,160
Marie Neumann, nee. Lohel	18,000	7,200	25,200	1,0	128/365	8,837	600	9,437	23,760
Dr Carin-Martina Tröltzsch	18,000	7,200	25,200	1,2	237/365	19,635	1,800	21,435	15,099
Dr Carin-Martina Tröltzsch (partial)	18,000	7,200	25,200	1,0	128/365	8,837	900	9,737	0
Gerd von Glowczewski	18,000	7,200	25,200	1,0	128/365	8,837	600	9,437	23,760
Total						**532,576**	**48,000**	**580,576**	**597,543**

* 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 19 thousand (previous year: EUR 23 thousand).

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

49.3. 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 2018, 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.

49.4. 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.

50. 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 2017/2018 reporting period show a net distributable profit of EUR 57,961,560.00. The Executive Board proposes to use EUR 57,961,560.00 for the payment of a dividend for the reporting period 2017/2018 (representing a dividend of EUR 1.20 per qualifying share).

51. EVENTS AFTER THE REPORTING PERIOD

An announcement was made by Nordzucker on 3 April 2018 that Dr Michael Noth, a long-standing member of Nordzucker AG's Executive Board with responsibility for Finance and IT, is to leave the company at his own request on 31 May 2018.

No other significant events have occurred subsequent to the end of the reporting period.

Braunschweig, Germany, 27 April 2018

The Executive Board

Dr Lars Gorissen	Axel Aumüller
Dr Michael Noth	Erik Bertelsen

LIST OF INVESTMENTS

Nordzucker AG, Braunschweig, as of 28 February 2018

		Shareholding		
		direct	indirect	
	Shortened form	%	%	via companies
Consolidated subsidiaries				
Norddeutsche Flüssigzucker GmbH & Co. KG (Braunschweig, Germany)	NFZ KG	70		
NORDZUCKER SPEZIAL GmbH & Co. KG (Braunschweig, Germany)	NZ SPEZIAL	100		
NORDZUCKER GmbH & Co. KG (Braunschweig, Germany)	NZ KG	100		
Nordzucker Services GmbH & Co. KG (Braunschweig, Germany)	NZ Services KG	100		
BZN Erste Holdinggesellschaft mbH (Braunschweig, Germany)	BZN Erste	100		
BZN Zweite Holdinggesellschaft mbH (Braunschweig, Germany)	BZN Zweite	100		
Nordzucker Polska S.A. (Opalenica, Poland)	NZ Polska	99.87		
Považský Cukor a.s. (Trencianska Tepla, Slovakia)	Považský	96.798		
Nordic Sugar Holding A/S (Copenhagen, Denmark)	NSH AS	100		
Nordic Sugar A/S (Copenhagen, Denmark)	NS AS		100	NSH AS
Titoconcerto AB (Malmö, Sweden)	Titoconcerto		100	NSH AS
Nordic Sugar AB (Malmö, Sweden)	NS AB		100	Titoconcerto
AB Nordic Sugar Kėdainiai (Kėdainiai, Lithuania)	NS Kėdainiai		70.6	NS AS
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		
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
NP Sweet A/S (Copenhagen, Denmark)	NP Sweet		50	NSH AS
Associates accounted for using the equity method				
August Töpfer Zuckerhandelsgesellschaft mbH & Co. KG (Hamburg, Germany)	ATZU	25		
Non-consolidated subsidiaries				
Norddeutsche Flüssigzucker Verwaltungs-GmbH (Braunschweig, Germany)	NFZ GmbH	70		
NORDZUCKER Verwaltungs-GmbH (Braunschweig, Germany)	NZ GmbH		100	NZ KG
SWEETGREDIENTS GmbH & Co. KG (Nordstemmen, Germany)	SG KG		100	NZ SPEZIAL

	Shortened form	Shareholding direct %	indirect %	via companies
SWEETGREDIENTS Verwaltungs GmbH (Nordstemmen, Germany)	SG GmbH		100	SG KG
NZ Erste Vermögensverwaltungsgesellschaft mbH (Braunschweig, Germany)	NZ 1. VVG	100		
NZ Zweite Vermögensverwaltungsgesellschaft mbH (Braunschweig, Germany)	NZ 2. VVG	100		
NZ Dritte Vermögensverwaltungsgesellschaft mbH (Braunschweig, Germany)	NZ 3. VVG	100		
Nordzucker Services Verwaltungs-GmbH (Braunschweig, Germany)	NZ Services GmbH	100		
Nordic Sugar SIA (Riga, Latvia)	NS SIA		100	NS AS
Nordic Sugar UAB i.L. (Vilnius, Lithuania)	NS UAB		100	NS AS
Joint ventures not accounted for using the equity method				
Ingolf Wesenberg & Co. AS (Oslo, Norway)	IW AS		50	NS AS
Associates not accounted for using the equity method				
August Töpfer Verwaltungs GmbH (Hamburg, Germany)	ATV	25		
Other non-consolidated investments				
Tereos TTD, a.s. (Dobrovice, Czech Republic)	TTD	35.38		
Tropical Cubes Co. Ltd. (Morcellement St André, Mauritius)	TC		12.5	ATZU
C.I. Food Colombia S.A.S. (Yumbo, Colombia)	CIF		12.5	ATZU
H.S.T. Hamburg Sugar Terminal GmbH & Co. KG (Hamburg, Germany)	HST		16.668	ATZU
Verwaltungsgesellschaft H.S.T. Hamburg Sugar Terminal mbH (Hamburg, Germany)	VHST		16.668	ATZU

INDEPENDENT AUDITOR'S REPORT

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 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 March 2017 to 28 February 2018, 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 2017 to 28 February 2018.

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 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 2018, and of its financial performance for the fiscal year from 1 March 2017 to 28. February 2018, 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 (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.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance in the management report pursuant to Sec. 315d in conjunction with Sec. 289f (4) HGB (disclosures on the quota for women on executive boards).

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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 Company's position it provides.

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

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

Hanover, 27 of April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

GLOSSARY

FINANCE

Cash flow
Net inflow of cash funds. Difference between cash received and cash paid out in a reporting period. The cash flow is available to the company for investment, the repayment of liabilities and the distribution of profits.

German Corporate Governance Code (GCGC) www.dcgk.de
A code drawn up in 2002, dealing with the management and supervision of publicly listed companies in Germany. The GCGC includes nationally and internationally accepted standards of responsible corporate governance, primarily aimed at transparency and accountability. They define the responsibilities of Executive and Supervisory Boards and lay down rules and recommendations to protect shareholder rights, on the appointment of members of management and supervisory bodies, and their remuneration. Companies that are not publicly listed are also recommended to follow the GCGC.

Dividend
The amount of a stock corporation's distributable profit attributable to an individual share. The dividend is expressed either as a percentage of the nominal value or in currency units per share (dividend per share). The Annual General Meeting decides on the distribution of a dividend. In Germany, the dividend is paid annually.

EBIT (earnings before interest and taxes)
This describes the profit from operations before the deduction of interest and taxes.

EBITDA (earnings before interest, taxes, depreciation and amortization)
This describes the profit from operations before the deduction of interest, taxes, depreciation and amortization.

Equity ratio
This expresses shareholders' equity as a percentage of total assets.

Statement of compliance
Statement to be issued and published every financial year by the Executive and Supervisory Boards of publicly listed companies as required by Sec. 161 AktG (German Stock Corporation Act), stating the extent to which the company complies with the recommendations of the Government Commission German Corporate Governance Code, and any recommendations which are not followed.

Future
A binding contract between two parties (in contrast to an option, which only binds one of the parties) to be executed at some point in the future. This type of contract is characterized by the binding supply (for the seller) and the acceptance (for the buyer) of a precisely defined asset (underlying) in a certain volume (contract amount) and quality at a fixed point in the future (date) and at a price set when the contract is signed.

Net debt
Financial liabilities less cash and cash equivalents.

RoCE ("Return on Capital Employed")
Describes the rate of return that is generated using the capital from the operating business. The RoCE is the ratio of profit from operations (EBIT) to capital employed.

SUGAR AND BIOETHANOL

Bioethanol
Bioethanol refers to ethanol which has been manufactured exclusively from biomass and is primarily intended for use as biofuel. The production of ethanol from sugar beet involves converting primarily the intermediate products of the sugar-making process into alcohol through fermentation, which is then concentrated to form bioethanol through thermal and physical separating processes (distillation and dehydration).

CO_2 (carbon dioxide, greenhouse gas)
Chemical compound of carbon and oxygen, which belongs to the group of oxocarbons, along with carbon monoxide. The colourless, odourless gas is a natural component of air. It is created by the combustion of substances containing carbon, and during cellular respiration. Plants and some bacteria convert CO_2 into biomass.

Thick juice
A purified sugar juice reduced to around 70 to 75 per cent dry content. Thick juice is produced at the end of the evaporation plant, before the sugar is finally crystallized by boiling in the sugar house.

Molasses
Syrupy by-product of sugar production, which is used to make yeasts and animal feed.

Pellets or dried pulp pellets
By-product of sugar production. Pellets consist of extracted, dried sugar beet cossettes, which are sold as animal feed, with or without molasses.

Raw cane sugar
Sugar made from sugar cane. This can then be refined to convert it into white sugar.

Stevia
A sweetener made from the plant Stevia rebaudiana (known as sweetleaf or sugar leaf), which consists mainly of steviol glycosides. Steviol glycosides have been approved in the EU as a food additive (E960) since 2 December 2011.

SUGAR INDUSTRY

ACP countries (Africa, Caribbean and Pacific)
Seventy-seven mostly former French and British colonies, with which the EU negotiates economic partnership agreements (EPAs). In terms of sugar, these countries will then be treated equally with the least developed countries (LDC), i. e. have access to the EU market free of customs duties and quotas.

CXL imports
The "CXL quota" applies to Australia, Brazil, Cuba, India and other third countries ("erga omnes"). Each of these countries has quotas for importing sugar into the European Union with a combined total of 676,925 tonnes at a reduced rate of customs duties.

Dansukker, www.dansukker.com; www.nordicsugar.com
Nordic Sugar, part of the Nordzucker Group, offers consumers a wide range of sweet sugar products from sugar beet and sugar cane under the brand name of Dansukker. The assortment is refined continuously in keeping with the needs of modern households, and includes, for example, various types of granulated sugar, sugar cubes and icing sugar, brown sugar and syrups as well as organic and fair trade products.

LDC (least developed countries)
The least developed countries in the world. This term is used in an EU resolution from 2001 by which "everything but arms" may be imported into the EU from the 50 least developed countries free of customs duties. A transitional period up to 2009 was agreed for sugar. Since 1 July 2009, sugar exports from LDCs to the EU have been not subject to customs duties or volume restrictions.

SweetFamily, www.sweet-family.de
The international umbrella brand of the Nordzucker Group. Beet sugar products for consumers, bakers and the food industry have been marketed under the SweetFamily brand in Germany, Poland, Slovakia and Hungary since November 2004.

WTO (World Trade Organization)
A multinational organization based in Geneva, in which 150 member states negotiate the liberalization of global trade.

Sugar market regime
A common market regime for sugar in the EEC/EC/EU since 1968, which governs the prices for sugar and sugar beet, maximum production volumes for sugar and import restrictions. The previous regulation (EC) No. 1234/2007 was replaced in 2013 by regulation (EC) No. 1308/2013. The sugar market regime in its current form expires on 30 September 2017.

Sugar marketing year
The financial year for the common sugar market regime in the EU starts on 1 October and ends on 30 September.

CERTIFICATION, QUALITY ASSURANCE AND CONSUMER PROTECTION

DIN EN ISO 9001
This standard is part of the EN ISO 9000 series, which documents the principles of quality management. EN ISO 9001 deals specifically with the requirements of a quality management system, by which an organization must demonstrate its ability to supply products that meet the specifications of its customers and any regulatory requirements.

DIN EN ISO 14001
This international standard defines accepted requirements for environmental management systems.

DIN EN ISO 22000
This standard covers requirements for an internationally accepted management system for food safety.

DIN EN ISO 50001
A certifiable ISO (International Organization for Standardization) standard that defines the requirements for the establishment, implementation, maintenance and improvement of an energy management system.

EMAS III (Eco-Management and Audit Scheme)
Voluntary EU system for environmental management and the promotion of environmental protection.

FSSC 22000
The first global food safety norm covering food production. The standard was developed specially for companies producing or processing animal or plant-based products or ingredients.

GMP B2 (Good Manufacturing Practice B2)
Dutch quality management standard for foreign suppliers of animal feed.

IFS Standard (International Food Standard)
This standard covers food safety and consumer protection.

OHSAS 18001 (Occupational Health and Safety Assessment Series)
Not a norm, but can be used as a certification basis for management systems relating to health and safety at work. The structure of OHSAS is oriented towards DIN EN ISO 14001. This makes it suitable for use as an integrated management system.

PAS 220 (Publicly Available Specification 220)
Certification standard developed to define basic requirements for the certification of production processes within the food supply chain and intended to assist in ensuring adherence with food safety standards. It is intended to be used in conjunction with DIN EN ISO 22000. ISO 22000 and PAS 220 are generally known as FSSC 22000.

FINANCIAL CALENDAR

26 June 2018	Shareholder meeting Union-Zucker Südhannover GmbH in Nörten-Hardenberg
4 July 2018	Annual General Meeting Nordzucker Holding AG, Stadthalle Braunschweig
5 July 2018	Annual General Meeting Nordzucker AG, Stadthalle Braunschweig

ONLINE PUBLICATIONS

The following publications can be downloaded from www.nordzucker.de/en

- Annual Reports and Interim Reports
- Declaration of compliance
- Letter to shareholders

Printed copies of this Annual Report for the Nordzucker Group are also available in German.

The report is available online as an HTML version in German at geschaeftsbericht.nordzucker.de or in English at annual-report.nordzucker.com, and it can be downloaded as a PDF from the Download Centre.

Please also visit our sustainability website:
sustainability.nordzucker.com/en/

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