



Annual Report 2017

UELZENA EG AND GROUP



COMPANY

THIS HAPPENED IN 2017

All in all, the Uelzena Group achieved very positive development during 2017. 703m euros in sales was a new record high. Despite the very different prices development on the dairy markets, the prices for fat reached an historical high while the prices for proteins took a continual downturn. Nevertheless, the Uelzena Group was able to achieve its goal, which was to again keep the milk price paid above the federal level, during 2017. Following two difficult years, the price of 36.54 ct/kg received by the milk producers was at a reasonable value for sustainable milk production.

DEVELOPMENT OF RAW MATERIALS - GROUP

Quantity in tons	2017	2016
Raw milk	469,787	408,668
Cream	88,449	84,257
Skimmed milk/buttermilk conc.	30,420	39,515
Total	588,683	532,440

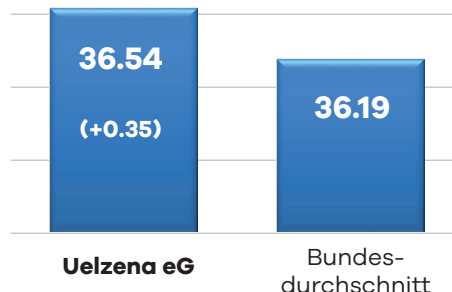
GROUP FIGURES - OVERVIEW

	2017	2016
Turnover in € million	703	529
Annual net profit in € million	9.31	7.39
Fixed assets in € million	76	69
Equity ratio in %	39.1	36.1

CONSOLIDATED SALES

	2017 '000 EUR	2016 '000 EUR	Deviation '000 EUR
Delicatessen, sweet condensed milk	34,591	27,535	7,056
Butter, butterfat, premixes	296,954	177,287	119,667
Milk powder	146,229	131,162	15,067
Cheese	93,531	64,590	28,941
Specialty products	111,297	110,195	1,102
Total			
Main product groups	682,602	510,769	171,833

MILK PAYOUT IN CT/KG



In 2017 the milk payout was 36.54 cents per kilogram (ct/kg) raw milk, which is above the federal average of 36.19 ct/kg

MILK PRODUCTION

Approximately 760 milk-producing enterprises form the backbone of our cooperative. They are organized in six primary supplier cooperatives which in turn are members of Uelzena eG where they represent the interests of their milk producers. 93% of all milk is collected within a radius of 150 km around our production sites in Schleswig-Holstein, Lower Saxony and Saxony-Anhalt. In 2017, the receipt of raw milk reached a new peak with 589m kilograms.





UELZENA GROUP

Balance sheet and profit and loss account (excerpt)

BALANCE SHEET – ASSETS	31.12.2017	Previous year
	'000 EUR	'000 EUR
A. Fixed assets		
I. Intangible assets	814	1,366
II. Tangible assets	70,009	62,913
III. Financial assets	4,895	4,772
Total	75,718	69,051
B. Current assets		
I. Inventories	42,018	38,800
II. Accounts receivable and other assets	44,304	47,189
III. Cash	12,547	7,323
Total	98,869	93,312
C. Accruals and deferrals	148	119
Total assets	174,734	162,482

BALANCE SHEET – LIABILITIES	31.12.2017	Previous year
	'000 EUR	'000 EUR
A. Equity		
I. Credit balances	16,951	16,701
II. Revenue reserves	23,812	23,662
III. Net income incl., carryforward	27,487	18,330
Total	68,250	58,693
B. Difference from capital consolidation	318	318
C. Provisions	17,838	16,687
D. Liabilities	88,184	86,581
E. Accruals and deferrals	0	40
F. Deferred tax liabilities	145	163
Total liabilities	174,734	162,482

PROFIT AND LOSS STATEMENT 01.01.-31.12.	2017	Previous year
	'000 EUR	'000 EUR
Sales	702,950	528,971
Changes in inventories/other income	6,680	8,141
Material costs	-620,695	-454,299
Gross profit	88,936	82,813
Personnel costs	-38,958	-36,742
Depreciation	-8,504	-7,781
Other operational costs	-27,014	-26,908
Subtotal	14,460	11,382
Financial result	-922	-1,005
Taxes	-4,231	-2,992
Group profit	9,307	7,385



UELZENA EG

Balance sheet and profit and loss account (excerpt)

BALANCE SHEET – ASSETS	31.12.2017	Previous year
	'000 EUR	'000 EUR
A. Fixed assets		
I. Intangible assets	655	1,066
II. Tangible assets	46,386	38,126
III. Financial assets	17,680	18,672
Total	64,721	57,864
B. Current assets		
I. Inventories	19,576	17,354
II. Accounts receivable and other assets	70,925	74,958
III. Cash	8,939	1,450
Total	99,440	93,762
C. Accruals and deferrals	135	106
Total assets	164,296	151,733

BALANCE SHEET - LIABILITIES	31.12.2017	Previous year
	'000 EUR	'000 EUR
A. Equity		
I. Credit balances	16,951	16,701
II. Revenue reserves	31,425	27,440
III. Annual net profit	6,091	3,985
Total	54,466	48,126
B. Provisions	14,730	13,494
C. Liabilities	95,100	90,073
D. Total liabilities	0	40
Total liabilities	164,296	151,733

PROFIT AND LOSS STATEMENT 01.01.-31.12.	31.12.2017	Previous year
	'000 EUR	'000 EUR
Sales	774,688	546,241
Changes in inventories/other income	3,902	2,507
Material costs	-725,401	-501,695
Gross profit	53,189	47,053
Personnel costs	-26,433	-25,340
Depreciation	-5,331	-4,631
Other operational costs	-16,951	-16,274
Subtotal	4,474	809
Financial result	2,723	3,292
Steuern	-1,106	-116
Taxes	6,091	3,985



PRODUCTS

In a milk market characterized by extreme contrasts, the Uelzena Group has benefited from historically high prices for butter and butterfat - a market segment in which the company has a strong foothold.

Higher sales volumes and price developments make it possible to pay significantly more to the milk producers. At the same time, sales and market prices have boosted the annual surplus and the equity ratio has increased to 39 percent. It was only the development of specialty products that was unable to keep pace with the rapid development of the dairy business and fell short of the defined targets.

The products of the Uelzena Group are well known in the industry for their reliability and high quality.

In 2017, all production sites were successfully

re-certified. Moreover, the company has been able to push one of its most important future projects forward: the integration of milk production into sustainability management.

For the customers of the Uelzena Group, quality and safety of food and ingredients have top priority. However, they increasingly raise questions such as: Where do the raw materials come from that are used to make the Uelzena products? Which ecological, social and animal welfare standards have been acknowledged in the production of the agricultural raw materials? Hence, the Uelzena Group is continually developing measures that ensure that the products offered to their customers are of a high quality, safe and transparent.

For more information:
www.uelzena.de/en/sustainability/



GROUP SALES

In total, positive development was achieved for all product groups. In particular, the segments butter, butterfat and milk powder experienced a significant increase. Declining sales, however, were seen in the specialty products segment for health products and contract drying.

	2017 tons	2016 tons	Deviation tons
Delicatessen, sweetened condensed milk	25,192	24,134	1,058
Butter, butterfat, premixes	54,764	50,638	4,126
Milk powder	76,663	71,824	4,839
Cheese	31,368	30,444	924
Specialty products	43,691	44,218	-527
Total sales of main product groups	231,678	221,258	10,420



PRODUCTION

In 2017, the Uelzena Group again implemented a large number of measures aimed at increasing energy and resources efficiency and productivity. Some of the improvements have had only a small effect, whereas others have markedly changed production. These measures range from investments in new equipment and technologies to the reorganization of workflow through to communication and management of various production departments.

ENVIRONMENTAL PROTECTION AND QUALITY

Uelzena eG has also taken a significant step forward in terms of quality and hygiene. After the new pallet transport system was put into operation, the comprehensive hygiene concepts could be implemented. This pallet transport system includes automatic repalletizing, which means wooden pallets are not used in the production area. This prevents any possible contamination being introduced into the production area.

For specialty products, high care zones that comply with even stricter hygiene requirements, double locks and air decontamination systems were integrated.



These improvements were rated very positively in customer audits and will pave the way for further expansion of sales activities. Such measures were accompanied by our continuous and sustainable improvement program, "Production OC 2025" which aims at constantly improving the quality assurance capabilities of our staff via transfer of knowledge and expertise.

The long-term trend shows:
The environmental protection measures of the Uelzena Group are working. In 2017, the relative environmental key performance indicators remained at an almost constant level. They are well within the strategic target ranges.



EMPLOYEES

	2017	2016
Total	715	693
Male	500	484
Female	215	209
Apprenticeship/internship	51	47
Average age of staff in years	42.3	41.8
Average period of employment in years	12.7	14.2

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EMPLOYEES

The Group's human resources strategy aims at a sustainable human resources policy in order to support the corporate strategy of „economic success with simultaneous ecological and social action“. In 2017, one priority was again to ensure that all divisions of the Group were adequately staffed and optimally qualified.

Our employees are the driving force in our

company. Considering the demographic change, the quality of our staff must be emphasized and maintained in the long term.

We accept the challenges by continuing the measures we have initiated for training and employer marketing, as well as the topics of ongoing employee development (qualifications) and health promotion at all sites.



REGIONAL RESPONSIBILITY

The Uelzena Group is closely linked to the regions where its sites are located. From the surrounding areas, the company procures its most important raw material: milk. The Group wants to continue to invest and grow in these regions and to contribute to good economical and social development.

	2017	2016
Regional value share - material	77%	76%
Regional value share - services	18%	19%

percent of the wages we pay go to employees living in the regions around the sites. This creates stable purchasing power that strengthens economic life in these traditionally rural and structurally weak areas.

The most important contribution for positive development of the regions around its sites made by the Uelzena Group is the ongoing economic activity. We buy most of the milk (93 percent) that we use in our production from farmers from the regions; approximately 80



WHO WE WORK FOR – THE AVERAGE DAIRY FARM OF OUR MEMBERS

142	cows
98%	loose housing system, most of them with outdoor opportunities
	milking is carried out in the milking parlor or with the milking carousel
241 ha	agriculturally used area
99%	professional farms
85%	with a focus on milk production
48 years	is the average age of the plant manager
65 h	is the average working time of the plant manager per week
5	people are working on the farm

Source: Sustainability module milk, QM Milk, average of 330 farms

