



# Annual report 2019

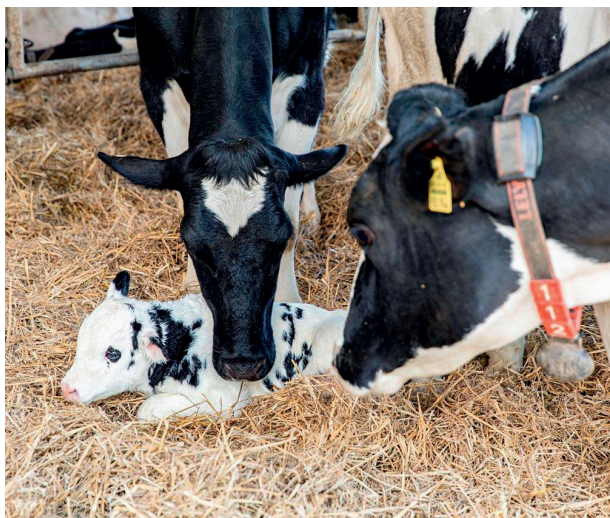
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UELZENA EG AND GROUP



## COMPANY

### MILK PRODUCTION

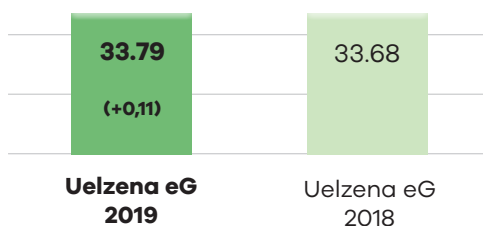


Further regional milk producers were added in 2019 by the member cooperatives, in consultation with Uelzena eG. In Lower Saxony, Saxony-Anhalt and Schleswig-Holstein, raw milk was collected almost exclusively within a radius of 150 km from the processing sites of the Uelzena Group. Nearly 21 % more raw milk was delivered. This increase, and a total delivered volume of almost 733 million kg raw milk, was a new record for Uelzena.

### GROUP RAW INGREDIENT DEVELOPMENT

Quantity in t	2019	2018
Raw milk	638.067	526.031
Cream	80.953	83.439
Skim. milk/buttermilk conc.	13.487	19.981
<b>Total</b>	<b>732.507</b>	<b>629.451</b>

### PAYOUT IN CENTS/KG



In 2019, the payout was 33.79 cents/kg raw milk (prev. yr: 33.68 cents/kg).

### KEY FIGURES

Consolidated sales of €705 million was the highest ever recorded in the company's history. Improvements in the milk powder and cheese segment compensated for the lower results of the previous year. In comparison, milk fat revenue declined per unit. In absolute terms, a higher overall sales volume contributed to the positive revenue performance.

### OVERVIEW OF GROUP FIGURES

	2019	2018
Turnover mil. €	705	648
Annual surplus mil. €	9.36	8.92
Fixed assets mil. €	114	98
Equity ratio %	38.5	36.9



Despite many investments, it was still possible to slightly increase the equity ratio to 38.5 %. The increase in the fixed assets to a value of €114 million reflects the group's modernisation and expansion programme. At €9.4 million, the annual net profit is above that of the previous year.

### GROUP TURNOVER

	2019 EUR '000s	2018 EUR '000s	Deviation EUR '000s
Delicatessen & cond. milk products	33,193	33,102	+91
Milk fats	245,390	272,184	-26,794
Milk powder	171,570	120,748	+50,822
Cheese	91,355	86,531	+4,824
Speciality products	120,339	110,672	+9,667
<b>Total main product groups</b>	<b>661,847</b>	<b>623,237</b>	<b>+38,610</b>



## UELZENA GROUP

### Balance sheet and profit and loss account (excerpt)

<b>BALANCE SHEET - ASSETS</b>	<b>31.12.2019</b>	<b>Previous year</b>
	'000 EUR	'000 EUR
A. Fixed assets		
I. Intangible assets	425	535
II. Tangible assets	107,612	92,570
III. Financial assets	5,559	4,996
Total	113,596	98,101
B. Current assets		
I. Inventories	46,525	49,233
II. Receivables and other assets	55,350	46,670
III. Cash	8,133	15,420
Total	110,008	111,323
C. Accruals and deferrals	17	103
<b>Total assets</b>	<b>223,621</b>	<b>209,527</b>

<b>BALANCE SHEET - LIABILITIES</b>	<b>31.12.2019</b>	<b>Previous year</b>
	'000 EUR	'000 EUR
A. Equity		
I. Credit balances	16,414	17,028
II. Revenue reserves	25,603	25,203
III. Net income incl. carryforward	43,984	35,018
Total	86,001	77,249
B. Difference from capital consolidation	318	318
C. Provisions	19,337	19,214
D. Liabilities	117,856	112,619
E. Accruals and deferrals	0	0
F. Deferred tax liabilities	109	127
<b>Total liabilities</b>	<b>223,621</b>	<b>209,527</b>

<b>PROFIT AND LOSS STATEMENT 01.01 - 31.12.</b>	<b>2019</b>	<b>Previous year</b>
	'000 EUR	'000 EUR
Overall performance	710,738	660,364
Material costs	-611,528	-565,284
<b>Gross profit</b>	<b>99,210</b>	<b>95,080</b>
Personnel costs	-45,157	-41,856
Depreciation	-9,325	-8,103
Other operational costs	-30,192	-31,422
<b>Subtotal</b>	<b>14,535</b>	<b>13,698</b>
Financial result	-1,206	-1,077
Taxes	-3,963	-3,699
<b>Group profit</b>	<b>9,366</b>	<b>8,923</b>



## UELZENA EG

### Balance sheet and profit and loss account (excerpt)

<b>BALANCE SHEET - ASSETS</b>	<b>31.12.2019</b>	<b>Previous year</b>
	'000 EUR	'000 EUR
A. Fixed assets		
I. Intangible assets	413	505
II. Tangible assets	82,507	70,413
III. Financial assets	17,924	17,680
Total	100,844	88,598
B. Current assets		
I. Inventories	26,751	27,319
II. Accounts receivable and other assets	81,440	72,045
III. Cash	2,542	8,007
Total	110,733	107,371
C. Accruals and deferrals	17	83
<b>Total assets</b>	<b>211,594</b>	<b>196,052</b>

<b>BALANCE SHEET - LIABILITIES</b>	<b>31.12.2019</b>	<b>Previous year</b>
	'000 EUR	'000 EUR
A. Fixed assets		
I. Credit balances	16,414	17,028
II. Revenue reserves	42,315	37,515
III. Annual net profit	5,144	4,799
Total	63,873	59,342
B. Provisions	15,559	14,753
C. Liabilities	132,162	121,956
D. Accruals and deferrals	0	0
<b>Total liabilities</b>	<b>211,594</b>	<b>196,052</b>

<b>PROFIT AND LOSS STATEMENT 01.01 – 31.12.</b>	<b>2019</b>	<b>Previous year</b>
	'000 EUR	'000 EUR
Overall performance	856,395	783,887
Material costs	-798,020	-735,795
<b>Gross profit</b>	<b>58,375</b>	<b>48,092</b>
Personnel costs	-30,721	-28,244
Depreciation	-6,499	-5,088
Other operational costs	-19,278	-20,586
<b>Subtotal</b>	<b>1,877</b>	<b>-5,826</b>
Financial result	4,197	10,436
Taxes	-930	189
<b>Annual net profit</b>	<b>5,144</b>	<b>4,799</b>



## PRODUCTS

In 2019, more balanced market prices, compared with the previous year in the product groups of milk powder and cheese, together with increased sales volumes, contributed to a stable business year. The increased volume in milk fat could not compensate for the lower price, however, overall, the Uelzena Group has reported a growth in volume of nearly 6 % across all product groups.

### PRODUCT QUALITY

With this steady rise in volume, the Uelzena Group places top priority on compliance with high quality and hygiene standards. As well as food safety: By implementing a Food Fraud process, Uelzena fulfils all IFS food standard requirements and distinguishes itself from its international competition with this quality certificate.

### SUSTAINABLE SOURCING

In 2019, well over half of our raw material suppliers from critical producing regions fulfilled the requirements of the ETI (Ethical Trade Initiative) and were also audited for further standards such as SEDEX, BSCI or Fairtrade. The aim is to commit suppliers and manufacturers in the long term to a common standard that applies across the entire supply chain.

Raw milk sourcing is a special focus for the Uelzena Group. The results from the QM sustainability module milk were evaluated in the reporting year, with a second round of data collection scheduled to start in 2020. Building upon the initial results, further information will be obtained to improve the sustainability of raw milk production.



### GROUP SALES

Overall, sales in the Uelzena Group developed positively in the reporting year. All the main product groups recorded increased sales. For instance, milk powder and milk fat reported higher growth, while delicatessen and condensed milk products, cheese and speciality products also recorded good growth.

	2019 t	2018 t	Deviation t
Delicatessen, condensed milk products	25,112	24,073	+1,039
Milk fat	54,279	51,406	+2,873
Milk powder	84,231	78,017	+6,214
Cheese	32,554	32,012	+542
Speciality products	47,686	45,572	+2,114
<b>Total main product groups</b>	<b>243,862</b>	<b>231,080</b>	<b>+12,782</b>





## PRODUCTION

In the reporting year, the Uelzena Group implemented significant production improvements at all four sites. These measures essentially include improvements to the energy balance, resource conservation and emission reductions to meet growing environmental requirements.

### MODERNISATION & EXPANSION

Further extensive investment and maintenance measures were implemented in 2019 to renovate and modernise the production plants. For example, vital sound protection and dust reduction measures were carried out at the Uelzen site. Steps started in 2018 to implement the new milk powder concept were completed. The new evaporator and the high-performance filtering system were commissioned in 2020. A successful ISO 50001 audit at the Warmсен production site and steps such as converting to LED lighting throughout the premises have also contributed positively. Construction will start on a third agglomeration plant in Ratzeburg in 2020, the planning for which was completed in the reporting year.

### IMPROVED EMPLOYEE COMMUNICATION

The project “Produktion OK 2025” aims to sustainably optimise work and communication processes in production. It has already been implemented in Uelzen and Bismark and has noticeably improved the flow of information. In the current business year, the programme will be introduced to Ratzeburg site. The project is set to run for several years and will ultimately lead to significantly optimised communication and organisation across the entire group.



For more information on all fields of action, please visit <https://www.uelzena.de/en/sustainability/>



## EMPLOYEES

	2019	2018
<b>Total</b>	<b>777</b>	<b>745</b>
Male	543	512
Female	234	233
Apprenticeship/internship	54	52
Average age of staff in years	40.9	42.1
Average period of employment in years	11.5	12.2

Publisher: Uelzena eG 2020

Pictures: Thies Rätzke

Layout & Printing: Druckerei Schlüter GmbH, Dahlenburg,



## EMPLOYEES

The number of employees rose to 777 people by the reporting date for 2019. This equates to an increase of more than 4 % and is related to a large number of projects and the continually high capacity utilisation at all sites.

### PROMOTING NEW TALENT

In total, 84 new employees (excluding trainees) found employment in the Uelzena Group, many of whom replaced those retiring or taking parental leave.

Dual vocational training is a special focus in the company. Attracting young talent at an early state is part of the company's personnel strategy to secure specialist staff for its sites. As part of this strategy, the company created a comprehensive advertising campaign for its vocational training in 2019 for all Uelzena sites. From 2020, all sites will take part in vocational training fairs and be represented in regional publications in print or online media, generating greater awareness of the high-quality training provided by the group.



## REGIONAL RESPONSIBILITY

At its respective production sites, the Uelzena Group is a major employer and a purchaser of raw materials, goods and services. The group purchases 17 % of the services it uses from a region of 50 km around the sites. Once again, the proportion of regionally sourced goods at 86 % was above the previous year values. For milk as a raw material, this proportion was practically 100 %.

	2019	2018
Regional value of material	86 %	82 %
Regional value of services	17 %	17 %

The company's significance as an employer in Uelzen and Bismark is particularly striking – it is one of the largest businesses in these areas. Uelzena is a major employer at both sides and provides a livelihood to many families in the surrounding area.

This applies not only to our own employees, but also to those of our suppliers and service providers.

In 2019, the Uelzena Group was also an active sponsor of many projects that support children and young people. A core component of its regional responsibility is in promoting voluntary work. An annual grant is awarded to each employee for voluntary work to strengthen their commitment to the region.



