



Annual report 2020



COMPANY

MILK PRODUCTION

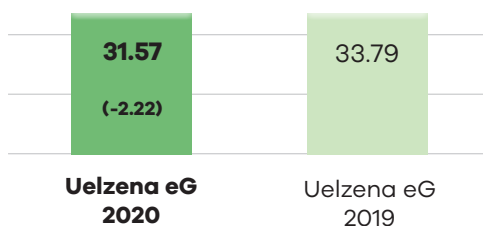


In the 2020 reporting year, the raw milk of the member cooperatives in the federal states of Lower Saxony, Saxony-Anhalt and Schleswig-Holstein was produced within the regions. In the past year, 94 % of this milk was collected from within a radius of 150 km of our sites. At almost 687 million kg, the raw milk supplied was again above the previous year's level. Overall, the raw milk volumes delivered could be further increased by 5 % in 2020.

GROUP RAW INGREDIENT DEVELOPMENT

Quantity in t	2020	2019
Raw milk	686,584	638,067
Cream	66,960	80,953
Skimmed milk/Buttermilk concentrate	18,084	13,487
Skimmed milk/buttermilk/milk permeates	915	0
Total	772,543	732,507

AUSZAHLUNG IN CT/KG



In 2020, the payout was 31.57 euro cents/kg raw milk (prev. year: 33.68 euro cents/kg).

KEY FIGURES

At approx. €670 million, the 2020 sales could not build on the success of the previous year due to the issues caused by the Covid-19 pandemic. Despite favourable increases in the utilisation of milk powder and cheese in the second half of the year, this could not compensate for the losses in the specialist products and milk fats..

OVERVIEW OF GROUP FIGURES

	2020	2019
Turnover mil. €	670	705
Annual surplus mil. €	7.86	9.36
Fixed assets mil. €	144	114
Equity ratio %	38.5	38.5

The planned investments were also made in the reporting year. With fixed assets of €144 million (+ €30 million over the previous year), Uelzena's continuing modernisation and investment plan is reflected in its result. The equity ratio remains unchanged at 38.5 % and the annual result of €7.9 million was below that of the previous year.



GROUP TURNOVER

	2020 Thousand euros	2019 Thousand euros	Deviation, Thousand euros
Delicatessen products			
Condensed milk prod,	31,537	33,193	-1,656
Milk fat	190,422	245,390	-54,968
Milk powder	199,656	171,570	+28,086
Cheese	89,870	91,355	-1,485
Speciality products	98,684	120,339	-21,655
Total main product groups	610,169	661,847	-51,678



UELZENA GROUP

Balance sheet and profit and loss account (excerpt)

BALANCE SHEET – ASSETS	31.12.2020	2019
	Thousand euros	Thousand euros
A. Fixed assets		
I. Intangible assets	287	425
II. Tangible assets	117,211	107,612
III. Financial assets	26,699	5,559
Total	144,197	113,596
B. Current assets		
I. Inventories	46,518	46,525
II. Receivables and other assets	50,509	55,350
III. Cash	4,516	8,133
Total	101,543	110,008
C. Accruals and deferrals	101	17
Total assets	245,841	223,621

BALANCE SHEET – LIABILITIES	31.12.2020	2019
	Thousand euros	Thousand euros
A. Equity		
I. Credit balances	17,322	16,414
II. Revenue reserves	26,749	25,603
III. Net profit incl. carry forward	50,699	43,984
Total	94,770	86,001
B. Difference from Capital consolidation	318	318
C. Provisions	20,460	19,337
D. Liabilities	130,202	117,856
E. Accruals and deferrals	0	0
F. Deferred tax liabilities	91	109
Total liabilities	245,841	223,621

PROFIT AND LOSS STATEMENT 01.01.–31.12.	31.12.2020	2019
	Thousand euros	Thousand euros
Overall performance	679,333	710,738
Material costs	-577,818	-611,528
Gross profit	101,515	99,210
Personnel costs	-46,221	-45,157
Depreciation	-10,953	-9,325
Other operational costs	-31,382	-30,192
Subtotal	12,959	14,535
Financial result	-1,576	-1,206
Taxes	3,525	-3,963
Group profit	7,858	9,366



UELZENA EG

Balance sheet and profit and loss account (excerpt)

BALANCE SHEET – ASSETS	31.12.2020	2019
	Thousand euros	Thousand euros
A. Fixed assets		
I. Intangible assets	284	413
II. Tangible assets	89,222	82,507
III. Financial assets	38,912	17,924
Total	128,418	100,844
B. Current assets		
I. Inventories	27,061	26,751
II. Receivables and other assets	80,258	81,440
III. Cash	681	2,542
Total	108,000	110,733
C. Accruals and deferrals	99	17
Total assets	236,517	211,594

BALANCE SHEET – LIABILITIES	31.12.2020	2019
	Thousand euros	Thousand euros
A. Equity		
I. Credit balances	17,322	16,414
II. Revenue reserves	47,459	42,315
III. Annual net profit	1,587	5,144
Total	66,368	63,873
B. Provisions	16,812	15,559
C. Liabilities	153,337	132,162
D. Accruals and deferrals	0	0
Total liabilities	236,517	211,594

PROFIT AND LOSS STATEMENT 01.01.–31.12.	31.12.2020	2019
	Thousand euros	Thousand euros
Overall performance	811,583	856,395
Material costs	-750,980	-798,020
Gross profit	60,603	58,375
Personnel costs	-31,356	-30,721
Depreciation	-8,145	-6,499
Other operational costs	-19,533	-19,278
Subtotal	1,569	1,877
Financial result	1,044	4,197
Taxes	-1,026	-930
Group profit	1,587	5,144



PRODUCTS

2020 and the coronavirus pandemic gave rise to market turmoil. Sales of specialist products plunged dramatically with the disappearance of catering, the vending business and take-away purchases. With the hospitality and tourism sectors put on pause, demand for small packs was also reduced in milk fats. This also affected dietary products. Overall, the Uelzena Group recorded a drop in sales in virtually all divisions.

SUSTAINABLE RAW INGREDIENT PRODUCTION

The second round of our survey for our milk producers began in 2020 as part of the QM sustainability module milk. At the time this report was compiled, no evaluations were available. However, the participation rate of nearly 70 % will deliver meaningful results. As a raw ingredient, milk is a determining factor for the sustainability of our products. The raw milk of our member cooperatives is already 76 % certified by VLOG (German Association of Food Without Genetic Engineering), which is a growing trend. Another focus in our sustainable sourcing is on raw materials from risk countries of origin. Almost half of the Uelzena Group's suppliers meet the requirements of the Ethical Trading Initiative (ETI) and also

hold additional certifications for sustainable production.

PRODUCT INNOVATIONS AND SUSTAINABLE PACKAGING SOLUTIONS

Current trends drive product developments in the Uelzena Group. Our customers' requirements are changing, and as a result we need to develop innovative product solutions. Organic and Fairtrade ingredients are also a focus. Demand for sustainable packaging solutions is growing.

As a company, we are heavily involved in this topic and are exploring possibilities to introduce sustainable solutions on the market.



GROUP SALES

The impact of Covid-19 has meant that sales in the Uelzena Group could not build on those of the previous year. Our growth objectives in the strategic business fields were adjusted downwards in the past year. Almost all the primary product groups recorded a loss in sales compared with 2019. The greatest decline was in the milk fats sector, particularly for specialist products. Sales in the delicatessen & condensed milk products and cheese product groups decreased slightly. Only the milk powder field could report an increase.

	2020 t	2019 t	Deviation t
Delicatessen, condensed milk products	24,387	25,112	-725
Milk fat	48,597	54,279	-5,682
Milk powder	85,926	84,231	+1,695
Cheese	31,697	32,554	-857
Speciality products	36,288	47,686	-11,398
Total main product groups	226,895	243,862	-16,967



PRODUCTION

In 2020, the Uelzena Group implemented a number of measures at all its sites to improve production and reduce energy. Once again, goals such as improving productivity and achieving greater environmental efficiency took precedence. Unfortunately, the coronavirus had a negative impact on the environmental performance indicators in 2020 and the goal to continually reduce the CO₂ emissions per produced tonne was not achieved.

START OF SPRAY DRYING PLANT CONSTRUCTION

In the reporting year, construction started on a new spray drying plant at the Uelzen site. In planning the project, great importance was placed on the most energy-efficient and resource-conserving design. The Warmssen plant was further modernised and gained a new state-of-the-art packing line. In Ratzeburg, another agglomeration plant was finished in 2020, and investments were made in modernising the steam generation process. At all sites, we are continuing work to optimise how water is handled. Water is needed for production, steam generation, cooling and for all the cleaning processes. In the reporting year, resource efficiency there-

fore played a major role in the manufacturing processes, not only with regard to fresh water, but also in terms of the volume of wastewater and, specifically, wastewater contamination.

TRAILBLAZING INVESTMENTS

Energy efficiency gains as a result of the preparatory measures and investments will only be reflected in lower costs and better performance indicators in years to come. Core investment projects such as the spray tower and the agglomeration plant will remain a focus.



For more information on all action fields, please visit www.uelzena.de/en/sustainability/



EMPLOYEES

	2020	2019
Total	781	777
Male	542	543
Female	239	234
Apprenticeship / work placement	53	54
Average age of staff in years	41.1	40.9
Average period of employment in years	11.1	11.5

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EMPLOYEES

The number of employees rose to 781 people by the reporting date for 2020, which equates to an increase of four employees. There were 53 training contracts in the reporting year.

DEALING WITH THE COVID-19 PANDEMIC

The already high requirements on hygiene and infection prevention at our production sites made it easier for our workforce to transition to protective measures against the risks of the pandemic.

Nevertheless, we responded to the unforeseeable event responsibly and by quickly implementing extended concepts. The pandemic caused a substantial drop in sales in the specialist products division, predominantly for our Ratzeburg plant.

By reacting to the loss in sales at this location with short-time work, we could achieve job security. Thanks to the measures implemented at all our sites, we were able to ensure milk processing and maintain production.



REGIONAL RESPONSIBILITY

The Uelzena Group assumes responsibility for the economic and social development of the regions in which it is based. Firstly, as a reliable employer, trainer, and sponsor of the region, and also by purchasing raw materials and services from the region. The latter reached 20 % in the reporting year, three percent above that of the previous year. Sourcing raw milk ingredients regionally forms the basis of our purchasing strategy. 99 % of the total purchases of raw milk are made with

	2020	2019
Regional value of material	79 %	86 %
Regional value of services	20 %	17 %

producers based within a radius of 150 km of our sites. Which means that the majority of our value creation remains in the region.

Although Uelzena was also affected economically by the coronavirus pandemic, we continued our social commitment to the associations and facilities that promote children and youth projects, partly to ensure they continued operating. A large number of Uelzena employees volunteer in their home regions. This work is sponsored annually by the company and is part of the goal to make our site regions more attractive. There were no non-compliance incidents to report in the reporting year. We started revising our code of conduct in 2020 as a result of growing requirements, for instance in food safety. The compliance management system should ensure that non-compliance incidents are identified in good time to head off any damage to the Uelzena Group.



