

Westfleisch implements comprehensive programme of measures



Münster, March 9, 2022. Westfleisch has launched a comprehensive program of more than 250 individual measures with which the cooperative intends to significantly increase its profitability. "The background to this is the extremely challenging overall situation in which our entire industry finds itself," explained CFO Carsten Schruck today at the digital "Westfleisch Day". The Münster-based meat marketer informed its more than 4,700 agricultural members about the past fiscal year and its plans for the current year.

2021 was an economically weak year for the German meat industry with very challenging conditions. The main reasons for this were the Corona pandemic and the African Swine Fever (ASF), which led to a ban on exports to Asia. At the same time, per capita meat consumption in Germany dropped back again. "A lack of sales opportunities is causing immense price pressure and an extremely low pig price," reported Michael Schulze Kalthoff, who is responsible for the entire pork business on Westfleisch's Executive Board. Accordingly, despite only a slight decline in slaughter numbers (7.26 million pigs, 392,000 cattle and calves), Group sales in 2021 fell by a good nine percent year-on-year to 2.56 billion euros.

On the cost side, significantly higher personnel costs, special Corona costs, the raw material price rally and significantly higher energy and logistics costs in particular resulted in additional expenses of over 35 million euros in 2021. Accordingly, all core divisions had to absorb declines in earnings. The slaughtering and cutting business in particular came under considerable pressure. The further processing of sausage, convenience and self-service meat achieved positive earnings contributions and sales above the pre-Corona level of 2019, with the subsidiary WestfalenLand selling 132,000 tons and Gustoland 45,000 tons.

While preliminary figures show the Group's operating cash flow (EBITDA) amounted to EUR 35.0 million, the annual financial statements show a net loss of EUR 12 million. The consolidated balance sheet of Westfleisch SCE remains solid. Carsten Schruck: "Our equity ratio of 36.1 percent continues to be extraordinarily good."

Pressure on earnings remains high

For this year, the company expects competition and high earnings pressure to intensify even further. "The ASF situation with its strong negative impact on export markets will not change," said Carsten Schruck. "The competitiveness of German pork on international markets will continue to

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decline. This is also ensured by the almost unchecked rise in costs since 2021." In addition, in the wake of Russia's war against Ukraine, raw material prices have risen more sharply than ever before in recent weeks. "They will have a negative impact along the entire value chain, although the final consequences cannot yet be estimated today," Carsten Schruck explained.

Against this background, further consolidation of the industry is unavoidable. For Westfleisch, this means: "We must further sharpen our positioning as a quality supplier. At the same time, we have to position ourselves to be even more efficient and capable - in all areas." To this end, several teams within the cooperative have developed an extensive "construction kit with more than 250 individual measures". For example, processes are to be streamlined, tasks bundled and expenses reduced. "In addition to the targeted increase in efficiency in all divisions and the structural adjustment measures, another focus is on expanding the niches and growth areas that we are already successfully occupying today," explained Johannes Steinhoff, Board Member for Beef, Processing and Technology. "This applies, for example, to the animal feed sector, but also to the veal business, where we intend to exploit additional market opportunities. In the past weeks and months, some things have already gone well there."

Strengthen role as quality provider

Finally, Westfleisch wants to further expand its leading role as a quality supplier. "For Westfleisch, quality means even more animal welfare, even more regionality and a high level of reliability for domestic farmers and trading partners. Here, too, we were able to take decisive steps in 2021," Johannes Steinhoff emphasized. "For example, we significantly increased the proportion of pigs from higher farming levels last year." Meanwhile, more than 70 percent of the pigs slaughtered by Westfleisch come from farms that meet the requirements of the "Initiative Tierwohl" (German Animal Welfare programme). "Therefore, we very much welcome the increased commitment of the German retailer to German agriculture since last year." Indeed, more and more partners in the food trade are focusing on sustainable and regional programs, on German origins for piglets, pigs, beef and veal. "Here we have been able to achieve good sales success in recent months," Johannes Steinhoff explained. "We will continue to intensify our cooperations with the food trade and occupy important quality fields with sustainable husbandry programs and product range extensions. With our more than 4,700 agricultural members in Northwest Germany, we are very well positioned."

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