



Annual Report 2021



WEST  **FLEISCH**
FROM FARMERS. DIRECTLY.



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The Company





Visibly satisfied after the successful move: the Westfleisch headquarters moved in May 2022. After 68 years in Brockhoffstraße in the centre of Münster, the whole team moved into the new offices at "Campus Loddenheide" on the outskirts of the city.

Foreword of the Executive Board

**DEAR LADIES AND GENTLEMEN,
DEAR MEMBERS OF THE COOPERATIVE,**

Economically, 2021 was a very weak year for the entire German meat industry. Above all African swine fever, the resulting halt in exports to Asia, another fall in per capita meat consumption in Germany and the consequences of the COVID-19 pandemic led to a significant over-supply of pork. This resulted in immense price pressure and a crisis situation virtually throughout the whole supply chain. The process to transform the German meat industry therefore accelerated again. Facing the specific challenges for farmers and producers, even more massive and fundamental consolidation is expected in the industry.

The particular challenges are sure to include the integration of employees previously on external work contracts as of 01 January 2021. For us this has basically been a success but it is a task that will also require further intensive activity in the coming years. Our commitment ranges from simple assistance for handling paperwork to managing homes: our subsidiary WE-Service is now responsible for around 600 homes. When it comes to HR issues this finally also includes wage inflation that is constantly increasing due to the shortage of workers and specialists and this has corresponding effects on the whole company's cost structure.

Finally, the lack of political strategy generates additional insecurity in the industry. The new "traffic light" coalition in Berlin – just like its predecessor – is delaying important decisions in particular for agriculture; there is to date no planning security for such issues as converting livestock farming.

Structures further optimised

In spite of the difficult economic conditions we were able to drive forward key structural issues in 2021. So in May we moved the slaughter and butchery of cattle and calves from Hamm to the tandem location Lübbecke/Bakum. As the final meat centre we then converted Hamm to only slaughter and butcher pigs.

At the start of October we ended pig slaughter in Gelsenkirchen – since then the sister operations in Coesfeld, Hamm and Oer-Erkenschwick have taken over the annual slaughter capacity of around 970,000 pigs. The already practised and established central management of cattle purchasing proved to be a valuable instrument for high flexibility. And we also reached an important milestone when it comes to modernisation: the new cold store and social rooms were completed on-time and to plan at the end of 2021/start of 2022. Westfleisch Finanz AG, which celebrated its 50-year anniversary in April 2021, was again responsible for the build and finance.

From a purely economic perspective 2021 was disappointing, also for Westfleisch. Due to the lower pork price, consolidated revenue compared with the previous year fell by a good nine percent to € 2.57 billion in spite of the slightly lower slaughter numbers. The significant increase in HR costs, special costs associated with the COVID-19 crisis, the price rally of raw materials, consumables and supplies as well as significantly higher energy and logistics costs meant that all of the core divisions had to deal with lower profit. The slaughter and butchery business in particular was under significant pressure. In contrast, processing for sausage, convenience and retail-packed goods saw positive contributions to profit and sales slightly above the level before COVID-19 in 2019.

All things considered, the consolidated accounts recorded a loss totalling € 13 million so there are no dividends or special bonuses for 2021. To look on the bright side: the consolidated balance sheet and basic financial situation of Westfleisch remains solid, our equity ratio remains extraordinarily good at 38.1 per cent.

More productive with “WEfficient”

Nevertheless it is clear that Westfleisch must become even more efficient and productive. In 2021 we started to develop and roll out the “WEfficient” programme. With over 250 individual measures we will tighten our processes once again, optimise costs and ensure all divisions work significantly more efficiently. The aim is to stabilise the earnings situation and to return to the usual profit zone as soon as possible.

In addition to the desired increase in efficiency in all divisions and the structural adaptation measures, we continue to focus on expanding the niches and growth areas that already successfully contributes to us. These include animal feed but also veal for which we want to exploit additional market opportunities. And we will continue to search for new added value – since it is obvious that in the foreseeable future we can no longer expect growth in our core business.

We will therefore continue to expand our leading role as a high-quality supplier. In 2021 we were able to take very important steps and for example increase the share of pigs in development levels 2, 3 and 4 significantly. By now nearly 70 per cent of pigs slaughtered by Westfleisch come from businesses that meet or exceed the “Animal Welfare Initiative (ITW)” requirements. We therefore appreciate very much retailers’ commitment to German farmers which has increased in 2021.

Increasing numbers of Westfleisch retail partners are focusing on sustainable and regional programmes and German origins for piglets, pigs, cows and calves. After achieving very good sales success in 2021, we will further intensify our partnerships with retailers and address important quality issues with sustainable farming programmes and by expanding our range.

We are very confident that we will successfully overcome this change – which is decisive for the whole industry – in 2022 alongside our employees, members, partners, producers, livestock cooperatives and customers. We would like to thank you all most sincerely for the extremely trusting cooperation in 2021!

Carsten Schruck
CFO

Michael Schulze Kalthoff
COO Pork

Johannes Steinhoff
COO Processing & Beef

Members of the Executive Board of Westfleisch SCE mbh, Münster

Milestones

of the Westfleisch year



January: Takeover of all formerly via external work contracts employed staff



February: Start of construction of cold store and social wing in Coesfeld



March: Member information via streamed meeting



April: Anniversary - 50 years Westfleisch Finanz AG



May: Meatball production at Gustoland starts



May: New social rooms in Lübbecke completed



June: Vaccination center in Bönen installed



June: Hamm becomes solo slaughterhouse for pigs only



INITIATIVE
TIERWOHL
Gemeinsam verantwortlich handeln.

July: Animal Welfare Initiative "ITW" enters third phase



August: Start of apprenticeship for 33 young people



October: Common award for a special programme with a major trading partner



November: Coesfeld receives certificate for occupational safety according to DIN ISO 45001



December: Michael Schulze Kalthoff becomes new Member of the Board (COO Pork)

10-Point-Future-Programme

brought to life

The Westfleisch corporate culture is based on adapting promptly and flexibly to changes in production methods and the rising demands of customers and consumers. In June 2020 we passed a 10-Point-Future-Programme that we followed further in a determined manner in 2021: we are now managing our employees more comprehensively, ensuring higher animal welfare, offering farmers stronger security and forcing better integration of local interests at our locations.



All employees have direct contracts

Therefore, since 01 January 2021 all of the approximately 7,500 employees have direct contracts with Westfleisch. As a result, some salaries are significantly above the minimum wage level; each hour of overtime is paid in full. Now all employees can vote on operational matters; functioning works councils have been established at Westfleisch for many years.

We also offer those who wish a home and transport options to and from the workplace. Our own service company WE-Service undertakes the associated home management. It inspects the homes on a rotating basis and arranges modernisation, renovation and furnishings if necessary.

All 7,500 employees have held direct contracts with Westfleisch since 1 January 2021.

Management for 600 homes

At the end of 2021 Westfleisch rented around 600 homes for those employees who wanted support in finding a home. Depending on the size of the flats, there are usually three, four or five people to a flat. Caretaking and other services are firmly established where required to improve the overall living situation.

The team responsible is continuing to look for additional homes. We are also in constant conversations with investors to build new homes and rent small multiple occupancy dwellings. One example is the project that has started in Lübbecke in 2021 where two-storey semi-detached homes were built with flats for four people each.

After all we want to effectively prevent the creation of disadvantageous accommodation: our integration officers alongside "befrienders" ensure that those who have moved into the area can be integrated into the functioning community locally. "Befrienders" are employees from a range of nationalities from our meat centres who have been released to undertake special integration and support roles. On the business site they are important contacts for their colleagues; in the homes they are available to the residents, neighbours and public authorities – so that we achieve a stronger link to local interests.

Focus on quality

Another important element of our 10-Point-Future-Programme is the focus on quality. Specifically for us this means even better animal welfare, higher regionality and high reliability for local farmers and trading partners. In 2021 we were able to take very decisive steps here. The share of pigs in levels 2, 3 and 4 increased significantly over the past year. Now over two thirds of pigs slaughtered by Westfleisch come from businesses that meet or exceed the "Animal Welfare Initiative" (ITW) requirements.

Protecting the environment, careful management of resources and sustainable business are also key pillars of our corporate philosophy. We therefore encourage our members and contractual partners to act sustainably in many ways – for example in the form of new feeding concepts, supporting the grazing cattle programmes or using feed that has not been genetically modified. The result of this partnership approach is that in 2021 the share of contractually protected porkers rose to around 85 %.

And it goes without saying that we make every effort to reduce resource consumption with targeted measurements, analyses, optimised operating processes and precisely adjusted equipment. The refinement of products and the effective use of raw materials and resources is constantly optimised. To be even more successful here in the future, in 2021 we have reorganised the content and human resources of the sustainability division. The environmental and energy management issues are now located here in order to achieve important synergies. Overall we view this increasingly important subject of sustainability as a closely networked organisational unit that will in future involve intensive additional work with all of the divisions.

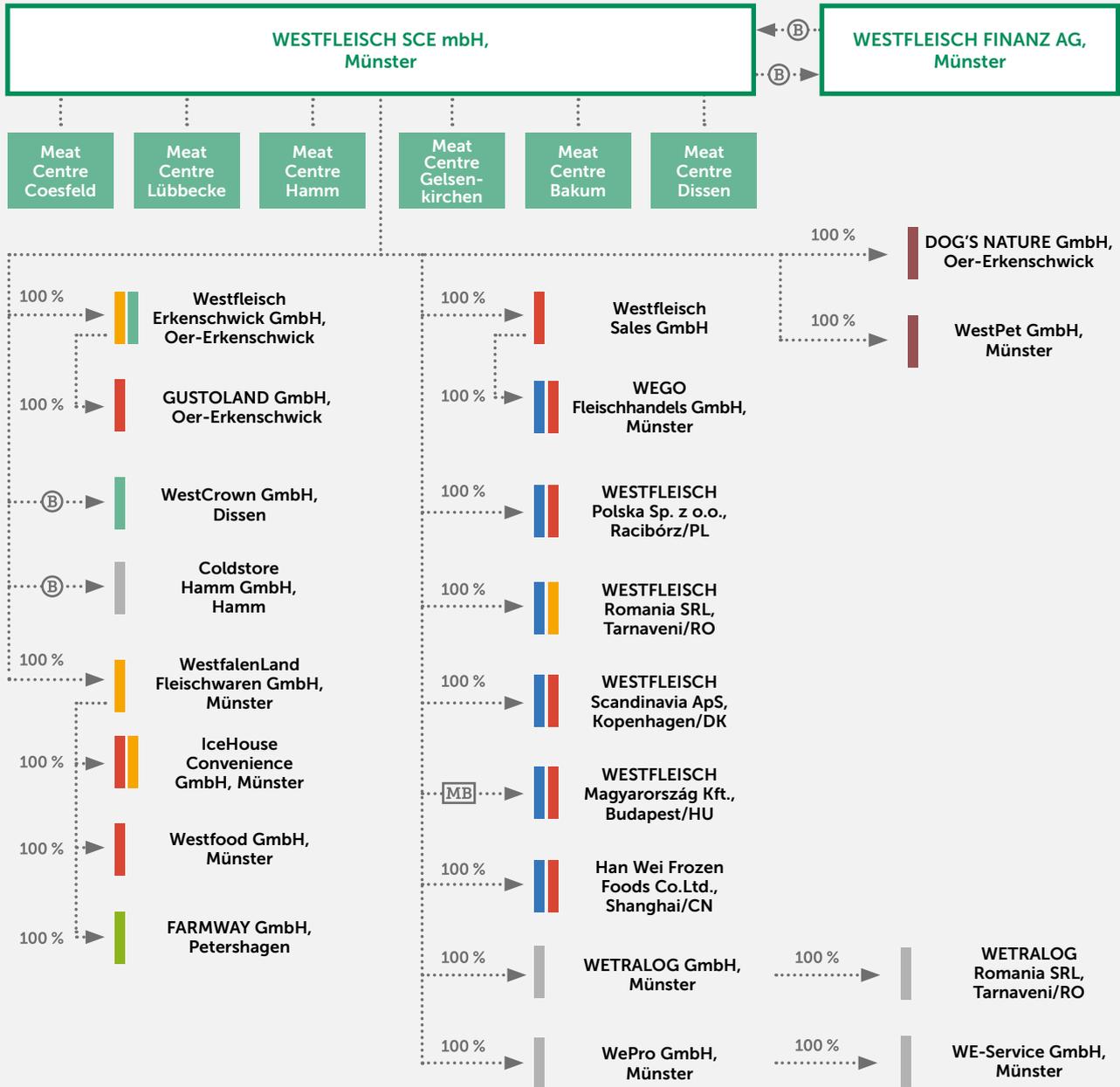


**Good living:
sample new
build project
in Lübbecke**



**Animal welfare,
regionality,
sustainability –
our quality
components**

Corporate Structure



- Holding companies
- Distribution companies
- Meat production
- Meat refinement
- Retail-packed meat/convenience/sausage

- Export/Import
- By-products
- Service providers
- Vegan products

- B Shareholding
- MB Majority shareholding

Simplified extract;
Update: 31. December 2021

Executive Board of Westfleisch SCE mbH

HONORARY MEMBERS



Dirk Niederstucke
*Chairman of the
Executive Board*

Gerhard Meierzuherde
*Member of the
Executive Board*

Jochen Westermann
*Member of the
Executive Board*

FULL-TIME MEMBERS



Carsten Schruck
CFO
*Member of the
Executive Board*

Michael Schulze Kalthoff
COO Pork
*Member of the
Executive Board*

Johannes Steinhoff
COO Processing & Beef
*Member of the
Executive Board*

Our Production Sites

Westfleisch Meat Centre Bakum

Harmer Straße 25 | 49456 Bakum
DE NI 10142 EG
OrgalInvent-No. 10009



Westfleisch Meat Centre Hamm

Kranstraße 32 | 59071 Hamm
DE ES 147 EG | DE EZ 119 EG
OrgalInvent-No. 10009-12



Westfleisch Meat Centre Coesfeld

Stockum 2 | 48653 Coesfeld
DE ES 265 EG | DE EZ 320 EG
OrgalInvent-No. 10009-11



Westfleisch Meat Centre Lübbecke

Rote Mühle 54-56 | 32312 Lübbecke
DE NW 20150 EG
OrgalInvent-No. 10009-13



Westfleisch Meat Centre Dissen, WestCrown GmbH

Dieter-Fuchs-Straße 5-9 | 49201 Dissen
DE NI 10048 EG



WestfalenLand Fleischwaren GmbH, IceHouse Convenience GmbH, Westfood GmbH

Hessenweg 2 | 48157 Münster
DE NW 88888 EG
OrgalInvent-No. 10009-46



Westfleisch Erkenschwick GmbH

Industriestraße 8-14
45739 Oer-Erkenschwick
DE ES 249 EG | DE EZ 206 EG
OrgalInvent-No. 20059



Gustoland GmbH

Industriestraße 8-14
45739 Oer-Erkenschwick
DE EV 42 EG



Westfleisch Meat Centre Gelsenkirchen

Am Schlachthof 4a
45883 Gelsenkirchen
DE NW 82000 EG



FARMWAY GmbH

Dingbreite 12
32469 Petershagen



Westfleisch Livestock Centre Nienberge

Hägerstraße 65
48161 Nienberge



Meat Centre | Subsidiaries, affiliated companies, and sites



Pork



Piglet trade



Meatballs



Vegan products



Sow meat



Calfs and elder calves



Sausage



Beef



Smoked pork chops



Self-service/convenience



Veal



Bacon



Frozen meat/convenience



Christoph Clemens
*Plant Manager
Meat Centre Bakum and
Meat Centre Lübbecke*



Johannes Bayer
*Plant Manager
Meat Centre Coesfeld*



Matthias Lüke
*Plant Manager
Meat Centre Dissen*



Kim Fog Jensen
*Plant Manager
Meat Centre Erkenschwick*



Gustav Kronsbein
*Plant Manager
Meat Centre Gelsenkirchen*



Dieter Haugwitz
*Plant Manager
Meat Centre Hamm*



Bernhard Kotthoff
*Managing Director
Production/Technology
Gustoland GmbH*



Immo Ehrling-Austrup
*Commercial
Managing Director
Gustoland GmbH*



Markus Frehe
*Managing Director
Sales
Gustoland GmbH*



Norbert Laumann
*Plant Manager
WestfalenLand
Fleischwaren GmbH*



Frank Baum
*Plant Manager
WestfalenLand
Fleischwaren GmbH*

Reports from our
Business Divisions





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Partnership and cooperation pay off

**We mastered
the special
challenges
together.**

2021 was an unsatisfactory year for the whole agricultural sector. The negative effects of COVID-19 and African swine fever (ASF) continue and – as was already the case in 2020 – meant an extremely difficult environment. Westfleisch also felt these effects and had to deal with lower profit in all of the core divisions.

The pandemic gripped the whole world tightly for the second year in succession and had serious effects on our industry – and many others. Costs rose significantly in 2021 due to special expenses associated with COVID-19 and other factors. The capacities in slaughterhouses could not be fully utilised due to lower sales. However, Westfleisch still managed to remain operational at all of its locations and therefore successfully contributed to preventing a “queue of pigs”. These reasons include the consistent implementation of hygiene measures and the company’s own vaccination campaign with which Westfleisch achieved a group-wide vaccination rate of over 80 %.

Our partnership’s strength was again demonstrated in the difficult market conditions: alongside you as members and our tried and tested, open and trusting cooperation, we were able to master the challenges of the past year.

2,440 BestSchwein partners
delivered **6.2 million**
pigs for slaughter

85 BestFerkel businesses produced
1.7 million piglets

635 beef partner contracts
delivered **74,000** bulls,
cows and heifers

40 BestKalb partners
produced **36,000** calves

Trusted contractual partnerships

The close collaboration with our farmers, regional and local livestock cooperatives as well as marketing partners is reflected in the stable number of our contractual partners: In an overall shrinking market with slaughter numbers falling across Germany, the number of contractual partners is virtually the same as the previous year with a total of 3,200. There was a fall in the number of pigs delivered resulting from the lower piglet numbers. The number of contractual partnerships with BestSchwein contracts even rose by 6 %. Faced with the critical situation for pig farming in Germany, this can be considered a special success and sign of trust.

Food retailer solidarity supplement

Even in 2020 the situation for farmers had become more difficult due to a range of challenging conditions. Many farmers demonstrated and the dramatic economic situation was given a hearing. So food retailers issued a temporary solidarity supplement. At the start of 2021 and in the autumn a special supplement was paid out with the total in 2021 of around € 2.97 million. As in previous years Westfleisch passed on the food retailer supplement payments transparently, quickly and directly 1:1 to farmers.

Higher farming levels are growing

The Animal Welfare Initiative (ITW) is a big success for the trusting and reliable partnership between Westfleisch, contracted operations and retail. The third phase of the programme started in 2021 and really took off. We support interested farmers in many ways to enable them to take part in the programme. And we are finding a lot of interest because ITW is a good option for achieving higher revenues for livestock farming. Now over 70 % of Westfleisch marketing partners are taking part and the numbers are still rising.

Other positive examples of successful cooperation along the supply chain include the "BauernLiebe" programme initiated by Edeka/Rasting and "Strohwohl" by Rewe. The programmes for levels 3 and 4 stand for higher animal welfare, greater sustainability and therefore higher value for the farmers. For example, participating farmers keep their pigs and cows outdoors and with more space. Although the programmes remain a market niche in terms of quantity they are continuously growing.

Number of contractual partners stable – increasing numbers of BestSchwein contracts.



More on ITW and level 3 in "Spotlight" Page 24



Transparent communication

As a partnership Westfleisch maintains transparent communication with members and delivery partners. We regularly inform them about current developments in various ways. We traditionally present the most important indicators at the "Westfleisch Conference" in March. Due to COVID-19, in 2021 the usual four regional meetings were summarised into one central digital event that members and shareholders could attend from their homes.

The annual report provides even more detailed information on results, events and developments over the past year. In addition, Westfleisch invites all members and shareholders to the annual general meeting in the summer of each year and reports on the profit over the past financial year as well as plans for the coming months and years. As a result of the ongoing pandemic the 2021 annual general meeting could only take place for the second time in succession in small numbers with voting members.

The "INFO für Landwirte" member magazine which is published several times a year contains information, interesting facts and background reports on the partnership, market developments and industry news for the contractual partners. The Westfleisch website and a comprehensive "extranet for members" offers the option to learn more about the partnership's work and situation. The offer is complemented by the Westfleisch "Xtra" app. The contractual partners can quickly and promptly call up the slaughter results, register their animals for slaughter en route and also receive current news from the company from their smartphone.

Westfleisch continues to invest

The "Westfleisch 2025" location structure project, which plans numerous modernisation and construction measures in the meat centres and refinement businesses, was furthered again in 2021. Many projects have been continued or introduced to ensure the locations are future-ready and even more competitive internationally.

For example, in spring 2021 the new high rack warehouse at WestfalenLand in Münster started operations. At a height of 36 metres, this more than doubled the warehousing capacities. In May 2021 a meatball line started operations at Gustoland. This supplements the specialist sausage range to include a convenience product that is seeing strong demand. The modernisation of the social rooms in Lübbecke was also completed in May. Changing rooms, sanitary fittings and a new break room covering 1,450 square metres were created. Another focus was on the conversion of the Hamm meat centre to mono operations slaughtering pigs. The switch-over took place on 01 June 2021. As planned the new build of the half-carcass cold store and social rooms for 350 employees was completed at the end of 2021/start of 2022 in Coesfeld.

**We completed
measures as
part of
"Westfleisch
2025" at
many locations –
WestfalenLand,
Gustoland,
Hamm,
Lübbecke,
Coesfeld.**

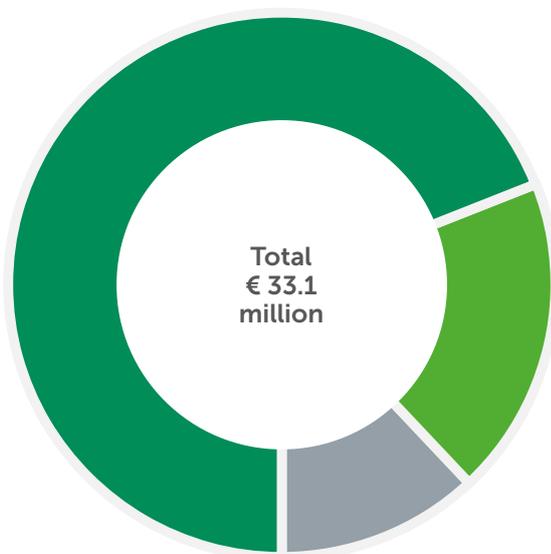
More efficient in the future

Over the past year more than 4,900 members made up the partnership. Consolidated revenue reduced by 9 percent to € 2.57 billion. The consolidated financial statements show a loss of € 12 million. This reflects in particular significantly higher HR costs, COVID-19 special costs, price rally for raw materials, auxiliary materials and supplies as well as noticeably higher energy and logistics costs resulting in total additional costs of more than € 35 million. The Westfleisch consolidated balance sheet remains solid, the equity ratio remains extraordinarily good at 38.1 %.

In the current year we also expect strong pressure on profit due amongst other factors to the ongoing cost rises, the war in Ukraine and the current ASF situation. In order to work economically even in stormy times, Westfleisch has started changes to improve the profit situation. With over 250 internal measures, the costs will fall significantly in the future and the company's efficiency will increase.

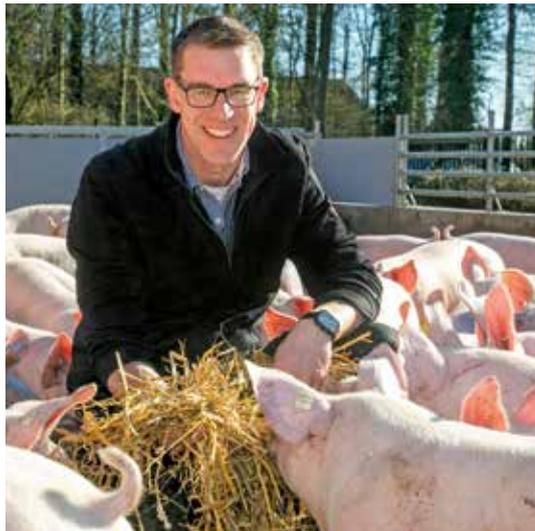
Over **4,900** members belong to the Westfleisch partnership.

The equity ratio is extremely good at **38.1%**.



Distribution of business credit deposits

- Individual members **€ 22.8 million**
- Member partnerships **€ 6.3 million**
- Westfleisch Finanz AG and board members **€ 4.0 million**



Light, air and straw ...

We at Westfleisch have for many years worked with the guiding principle of binding, reliable "quality partnership". As a link between agriculture and food retail we are setting ever more accents – for example with animal welfare programmes such as "BauernLiebe" and "Strohwohl" as the basis of our agreements with our farmers. The motto is: create the farming conditions of tomorrow on farms today.

Focus on quality and regional production

Healthy young animals are the basis for successful fattening. Our livestock centre in Nienberge is an experienced partner for farmers on all aspects of productive livestock. It delivers high-quality piglets, Frisian calves, Simmental feeders and weanlings with traceable, secure origins.



**Westfleisch
marketed
1.7 million piglets
– a stable result
in a market
characterised
by massive
structural
change.**

Over the past year Westfleisch has marketed around 1.7 million piglets and therefore slightly fewer than in the previous year – a satisfactory result in this market segment that has been shrinking for years. ASF, the Borchert Plan and the COVID-19 pandemic have created an extremely difficult situation and very low piglet prices. This meant that sow farmers have dealt with unprecedented challenges in particular over the past year. Faced with the economic pressure many businesses closed or delayed purchasing additional young sows.

The changes announced in February 2021 concerning animal protection and livestock farming regulations in the Federal Gazette added to this situation. Sow farrowing crates will be banned with a transition period covering eight years. In addition, sows must be given 50 % more space between giving birth and insemination, also with an eight year transitional period. When having a litter, sows may only be kept for a maximum of five days in the farrowing crate to the time of the birth. There is a transitional period of 15 years. Piglet producers must now respond, plan appropriate investments and make subsidy applications before the periods end. In the uncertain overall environment it is not surprising that many businesses are putting off the necessary investments or giving up – or intend to give up – pig farming. For these reasons the piglet market shrank even more strongly in 2021 than in previous years and we expect this trend to continue over the next few years. In future there will be significantly fewer German piglets available. In return farmers can increasingly purchase piglets from other European countries as the regulations there are less strict or they can choose farming criteria that are not permitted in Germany. This further accelerates the fall in piglet production in Germany.

In this difficult situation which has been ongoing for years, the cooperation in the partnership alongside holistic service when marketing piglets have proved themselves: 85 BestFerkel contract partners produce Westfleisch quality piglets. For each fattening operation, the appropriate piglet producer is selected individually using such fixed criteria as delivery quantity and rhythm as well as hygiene and health status. Short routes are important when it comes to animal welfare and sustainability: the piglets are mainly housed in fattening operations found locally. Businesses participating in the Animal Welfare Initiative (ITW) were able to secure both market revenues and their profit situation.

In spite of individual glimmers of light, livestock owners, in particular piglet producers and pig farmers, are lacking reliable political conditions. The massive economic pressure that has existed for years is continuing in the current financial year. Politicians in particular must finally create practical solutions. Only with reliable funding and long-term planning security can farmers implement the necessary conversions and higher animal welfare standards in businesses. In our role as an agent between agriculture and retail we stand clearly for reliability and added value on the side of our members.

Calves and weanlings

At Westfleisch we place high value on sustainable calf production because healthy and high-quality calves are the basis for high-quality meat from young bulls, calves and heifers. Westfleisch places great importance on animal health, animal protection, protecting resources and therefore ensuring added value throughout the whole chain. In 2021 over 65,800 calves and weanlings were marketed by the livestock centre. In addition to a large proportion of calves from North Rhine-Westphalia and Lower Saxony, animals from southern Germany also came to our fattening centres as there are traditional structures for professional calf production in southern Germany.



The industry is currently facing a new challenge in this regard: the Animal Transport Regulations were modified on 1 January 2022 and the minimum age for calf transportation was increased. After a one-year transition period, i.e. from 1 January 2023, calves may only be transported in Germany after their 28th day since birth – to date this was possible after 14 days. This change in the law has massive consequences for dairy farmers, cow dealers and fattening operations. Dairy farmers need more space for calves as they remain in the businesses for twice as long. The transport costs rise significantly because the animals are twice the age when transported so correspondingly larger and heavier. Therefore fewer calves can be transported in each vehicle.

As an alternative breed to the southern German animals, for many years Westfleisch has very successfully marketed cross-breed calves. Crossing meat breeds and Frisians produces a quick-growing and meaty cow that can be bred and grown in North Rhine-Westphalia. The animals have a positive effect on the supply chain for beef in terms of animal health, added value, regionality and short transport routes. At the same time they also deliver good meat quality. The cross-breed calves provide the optimal basis to our marketing partners for sustainable and high welfare bull fattening.

Only with reliable funding and long-term planning security can farmers implement the necessary conversions and higher animal welfare standards in businesses.

The animals for slaughter sector remains challenging

The whole agricultural sector had a weak 2021 and this affected the animals for slaughter business – Westfleisch also recorded a fall in slaughter numbers. In these difficult times, the close, trusting collaboration over many years between Westfleisch, farmers and retailers has generated particular benefits.

Over the past year Westfleisch slaughtered 7.26 million pigs and therefore 1.3 % fewer animals than in the previous year. For cattle, this was 392,000 cows and calves so just under 11 % fewer.

Meat production continues to fall in Germany

In 2021 meat production in Germany continued to fall for the fifth year in succession: Over the past year a total of 7.6 million tonnes of meat were produced and therefore 2.4 % less than in 2020. At the same time per capita meat consumption in Germany reduced by around 2 kilograms to 55 kilograms.

German pork production recorded a significant fall in slaughter numbers: In 2021 51.8 million pigs were slaughtered commercially – 2.9 % fewer than in the previous year. The number of slaughtered animals from domestic stalls fell 0.8 % to 50.6 million. The slaughter of imported pigs in German businesses reduced to 1.2 million animals and therefore fell by nearly a half. As a result of the fall in pork consumption in Germany the domestic excess was again high. The lack of sales opportunities created massive price pressure and an extremely low pig price for many weeks.

The number of slaughtered cows in Germany fell by just under 1 % to 3.2 million animals. The slaughter of young cows and oxen increased significantly at 12 and 9 % respectively. The slaughter numbers fell for calves and bulls whereas the supply of cows for slaughter and heifers stabilised somewhat above the previous year's level. During the COVID-19 pandemic the prices for beef rose to unexpected levels in 2021. The situation for cow farmers, who in recent years had to accept many setbacks due to dry summers with bad harvests, therefore stabilised somewhat.

An eye on ASF

2021 was also characterised by the major risk of ASF which expanded further in eastern Germany among wild pigs and significantly reduced the export opportunities for German pork. Westfleisch has conscientiously prepared in case the virus is transmitted to NRW or Lower Saxony.

The lack of sales opportunities ensured massive price pressure for pork.

Markets for beef benefited from the COVID-19 pandemic.

The company created the requirements for marketing pigs from "Restricted zone 2" if ASF breaks out in wild pigs in north-west Germany. If there is an outbreak in domestic pigs however, no marketing is possible. The whole industry is looking for potential solutions along with state ministries, associations and top politicians in Berlin.

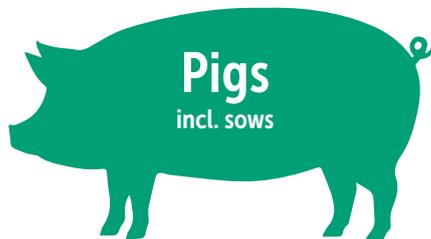
In order to further secure the marketing, domestic pig stocks must be protected from transmission of the virus by all means. Therefore the businesses have to implement the highest biosecurity measures and monitor these regularly.

Pleasing development for farming level programmes

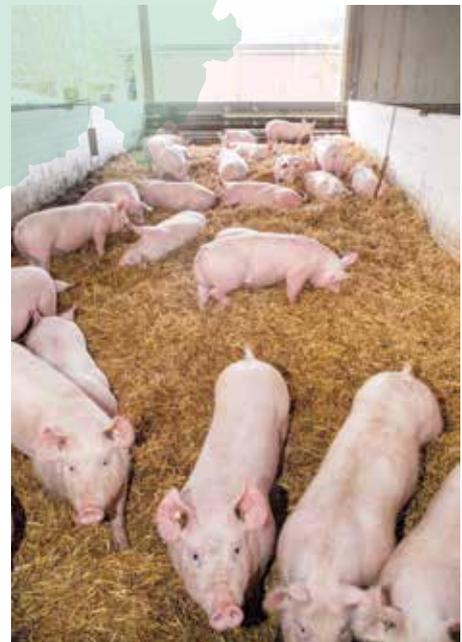
The farming programmes for both pigs and cows have seen positive developments over the past financial year. In July the third programme phase started for the pig ITW. Over two thirds of the Westfleisch contractual businesses decided to implement this in their fattening operations. ITW is a good opportunity to generate higher revenues and to differentiate themselves from imported goods. Participation in ITW and "5xD" – born, fattened, slaughtered, butchered and processed in Germany – also provides better prices for piglet owners. Due to the significantly higher proportion of Westfleisch farms with ITW and German piglets, very many contract farms now benefit from the additional value added.

"ITW" and regional production with "5xD" provide higher added value – and therefore perspectives for the future.

Westfleisch 2021 compared with the national trend



Westfleisch slaughter 2021:
7.26 million



**Farming levels
3 and 4 and beef
are increasingly
important for
ITW.**

The ITW programme for beef started on 1 April 2022. Westfleisch envisages a great opportunity for bull breeders to make animal welfare and quality visible to the consumer. It is believed that consumers will honour this in the long-term and the demand for ITW products will rise continuously in food retail. Westfleisch is supporting and encouraging beef businesses to take part in the new programme.

Levels 3 and 4 in the farming programmes also saw positive development in 2021 – especially the “BauernLiebe” programme from Edeka/Rasting. From the start the programme was accepted positively and although still a market niche, at currently over 1,800 pigs per week, is growing. Further increases in sales can be expected here this year too.





The new half-carcass cold store and social rooms were created in Coesfeld in 2021.

Numbers | dates | facts:

- **13,000 m³** excavated
- **300 t** steel
- **2,000 m³** concrete
- **28 km** cable
- **27,200 m³** converted space
- **4,200 m³** usable area
- Space for **9,000** slaughtered animals
- Social rooms for **350** employees



Industry issues

2021

Westfleisch stands for quality, reliability and security throughout the supply chain like hardly any other company in the meat industry. Even during the highly challenging year of 2021, our production ran to normal capacity to provide our food retail customers with the familiar high quality and requested quantities at marketable prices.

On the other hand we offer our farmers the reliable sale of the animals. Over the past year the share of contractually protected porkers rose to around 85%. At the same time we deepened the collaboration with breeding organisations ever more, for example for feed: for 2022 we are planning to work with quality control to convert to sustainable soya without rainforest deforestation.

“5xD” is an important unique selling point for domestic agriculture.

“5xD” origin: finally a clear signal

Support for German pig farmers and their organisations has long been under discussion: they wanted a clear signal from domestic food retailers for a “5xD” origin: born, fattened, slaughtered, butchered and processed in Germany. Progress was made at the end of 2021: the large retail chains and leading discounters announced that they only want to sell German production of fresh pork with the “5xD” origin label.

Since food retail customers will from 2022 not only be able to recognise farming but also the origin of the pork on the packaging, “5xD” is an important unique selling point for domestic agriculture over international goods. Therefore at Westfleisch we see the decision in favour of “5xD” as an excellent market opportunity.

In addition, food retailers are strengthening German piglet producers with their commitment to “5xD”, which is extremely important in difficult market phases. Although Westfleisch has traditionally had good links with Dutch piglet production nevertheless over 70 % of our pigs for slaughter are born in Germany. This is above the national average and means we are well positioned in this regard for the future.

ITW is increasingly becoming the standard

In addition to “5xD”, the Animal Welfare Initiative (ITW) remains a great opportunity for German meat production. From the very start Westfleisch has supported its contractual partners with such measures as audit organisation, advice or operational checks without charge. Therefore many contractual operations already meet the ITW requirements – and their number is constantly increasing further. Over the past year over two thirds of our contractual partners have chosen ITW for their fattening operations. In comparison: nationally the share of ITW pigs was below 50 % at the end of 2021.



It is important for this development that ITW goods are increasingly placed in the processing industry – ITW is anyway the new standard in German food retail. Conventional pigs can often only be placed for export – with lower revenues. And for 2022 we expect the ITW demand to increase further. The stronger entry of larger consumers or catering could bring about an additional push.

The meat from farming levels 3 and 4 (“organic”) is above ITW. In addition to the commitment of food retail to this premium level, we are carefully observing the development of consumer demand. If the need for this higher-priced meat rises, we can increase the volume of these production levels. But the market shares remain quite low – and are expected to move in the single-digit percentage range in the medium term.

Over 70% of Westfleisch contractual partners meet the ITW requirements – across Germany this is only around 50%.



**More than ever
the German meat
industry must in
future compete
with international
goods.**

Internationally barely competitive

In 2021 African swine fever and the associated export stop to China and many other countries adversely affected the German meat industry. There was in particular no added value for such products as trotters and ears. Although Westfleisch was able to find alternative buyers, for example in South America and Africa, the revenues were significantly lower than in Asia. Nevertheless we were able to thus contribute to the marketing of subsidiary products as food so they did not require disposal.

Our hopes continue to rest on the federal government finally achieving what has been a success in France: in bilateral meetings with Beijing, our neighbours agreed "regionalisation and compartmentalisation" in the event of an ASF outbreak. Transferred to Germany such a concept would specifically mean that an individually infected wild pig, e.g. in Brandenburg, would no longer mean a general export ban for pork from North Rhine-Westphalia or Lower Saxony.

But for this we must heavily limit the course of an outbreak in wild pigs and completely avoid infections of domestic pigs. But to remain completely realistic: there will be no boom in exports of body parts to China as occurred in 2017 to 2020.

After all in 2021 the international competitiveness of German meat products worsened further from the price perspective alone. For example, ever-rising numbers of products streamed in from Spain to Germany. The requirements for livestock farming and also the hourly rate are significantly lower than at home.

It is all the more important that the German meat industry can differentiate itself from international goods using "5xD" and ITW. Westfleisch will continue to work on this in 2022.

New standard improves occupational safety

In 2021 the employers' accident insurance association for food and hospitality (BGN) assessed our location in Coesfeld as one of the largest meat industry operations to ISO 45001 and certified the implementation of the DIN requirements. With the newly introduced standard, we are integrating the health and safety at work issue even more heavily in the production processes. We can therefore discover deficits at an early stage systematically and thus protect our employees more proactively. Other sites will follow in 2022.

Note: The compulsory mouth/nose and beard protection were of course only removed for a short time for the photograph.

Persuasive quality in restless times

What started in 2020 continued in 2021: the effects of the COVID-19 pandemic and African swine fever were noticeable throughout the year and presented massive challenges to the meat industry. COVID-19 restrictions affected sales and the thoroughly wet summer weather ruined the barbecue season. Below the line both pork and beef production fell slightly. In total Germany produced just under 5 million tonnes of pork and just under 1.1 million tonnes of beef.

2021 started in Germany with the second COVID-19 lockdown which lasted nearly until the middle of the year. The consequences were predictable from the first lockdown in 2020: national and international sales markets shrank. Amongst other matters, out-of-home sales reduced to a large extent. In addition, due to reduced capacities from quarantine measures at slaughter-houses and processors, the production options for agricultural producers were frequently not utilised to the full. Therefore Westfleisch' highest priority was to remain operational at all locations. This was successful so the worries about "pig queues" were not realised.

On the other hand the marketing of pork remained challenging as the positive lockdown effects such as "home cooking" for red meat did not transfer to retail in the long-term. In addition, the price of pork came under significant and lasting pressure and since the middle of the year there has only been one trend: downwards. At the end of the year the price was a low € 1.23 per kilogram of slaughter weight. Positive signals came at this time from consumers themselves. They increasingly turned to pork with a German origin. This was reflected significantly in the fresh meat share at butcher counters in retail. German pork was in higher demand than products from other countries. In this environment Westfleisch benefited both from its focus over many years on the national fresh meat market and reliable business relationships with its food retail partners. We were therefore able to offer stable deliverability.

Westfleisch has also supported the implementation of various special programmes jointly with its commercial customers and therefore increased added value along the whole chain. We created such measures as successfully enabling several trading partners to enter farming level 2 within the Animal Welfare Initiative – a key step to position and differentiate themselves from international goods. This development also supports the two higher farming levels 3 and 4. Although they currently only serve niches, this is mainly due to significant price supplements for cooked and fresh meat.

The trend towards animal welfare products also continued for beef. In 2021 preparations started for the Animal Welfare Initiative and this will accelerate in 2022. As the link

**Pork consumers
pay attention
to quality from
Germany.**

between members and retail partners, Westfleisch is supporting the development of programmes and concepts to improve stock-keeping conditions.

In principle the production quantities for beef fell in a similar way to pork production in 2021. In contrast to the pork market however significantly higher prices were achieved throughout the year and these increased further in the second half of the year. In addition, Germany is more heavily reliant on imports of beef than of pork. German retail had to price in high freight costs when importing steaks from South America. It also imported less Irish beef as the after-effects of brexit meant this was primarily exported to England.

Demand for convenience and refined products remains stable. Via the company's own refinement businesses WestfalenLand and Gustoland, Westfleisch was able to stabilise its market shares and is one of the leading volume suppliers in Germany and Europe for both retail-packed and barbecue meat as well as convenience products. The range was consistently expanded, for example for schnitzel and meatballs. At Gustoland Westfleisch invested several million euros in a new production line for meatballs in 2021 – successfully: the capacities have been well utilised even after a short start-up period. Such investments in technology but also in processes and people strengthen us in further increasing added value along the whole supply chain. Even in uncertain times, the retail partners know and value this and we at Westfleisch have maintained trusting and stable relationships with them for over 90 years.

Higher prices were achieved for beef – here too the trend is towards higher regionality and animal welfare.



5 million tonnes of pork and just under 1.1 million tonnes of beef

were produced in Germany in 2021.



Find and fill international export niches

The export ban to China in force since 2020 due to the outbreak of African swine fever also had significant effects for international business at Westfleisch in 2021. Whereas added value remained under pressure in Asia, we intensified our contacts with alternative trading partners. We were able to for the most part maintain the exported sales volume (three percent lower than the previous year). As a result of the negative price development, revenue fell by 13.4%.

Many doors in the Asian market remained closed during 2021. With great commitment Westfleisch used its solid global business relationships to enter or expand new sales markets. Although from a German perspective numerous export options are missing, we were partially successful in exploiting the international changes. The export channels to Europe have become stronger. In particular exports to the Netherlands and Italy achieved sales above the previous year's level. Poland became our fourth largest sales market in Europe – we were able to place significant volumes here that were originally planned for Asia. Romania, which relies on imports, also delivered very positive higher rates.

Mainly due to accepting low-price products such as trotters and neck bones that were previously exported to China, various African countries also made a contribution to added value. The Democratic Republic of Congo, Ivory Coast and Republic of Congo imported three times as many Westfleisch products as the previous year.

Reliable contacts that were built up over a long time were key to success in North America in 2021. Westfleisch successfully entered the Canadian market. We exported over 3,000 tonnes to the country with the second largest land area in the world – and the trend continues to rise. We were able to increase exports significantly to Chile with a total volume of well over 6,000 tons. When a hard lockdown was imposed on Chile for a time in 2021, this flow of goods stopped almost completely.

Strict COVID-19 lockdowns have added to the difficulties for Westfleisch trading in various markets. The consequently restricted and delayed export processes were felt in particular in Asia. Westfleisch was able to use some valuable time windows for its export goods in 2021, in particular in the first half of the year. The first quarter of 2021 offered favourable conditions for exports to Vietnam. A regionalisation agreement was successfully negotiated and implemented in Singapore to regularly implement exports in a market with attractive pricing.

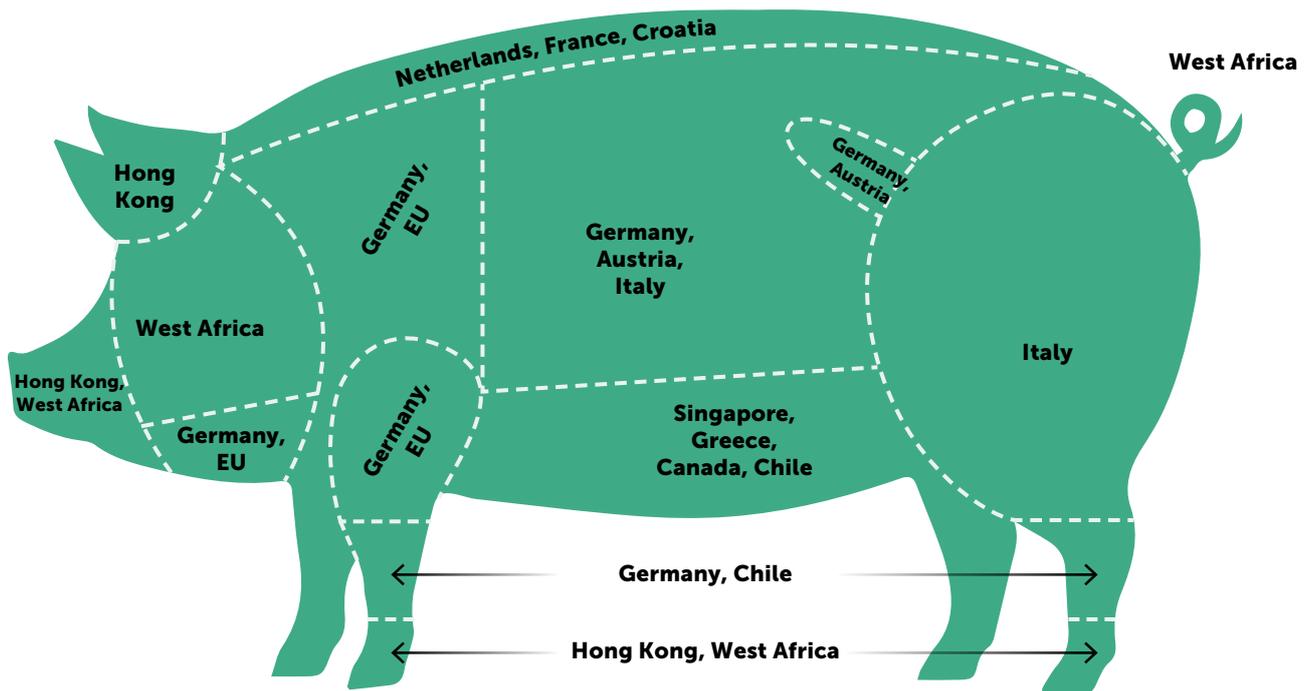
**Lockdown
and export bans
made the retail
situation difficult
– but sales
volume only
fell by 3%.**

In addition, the Thai market opened for meat imports for a short time – until the outbreak of African swine fever in domestic pigs located in Brandenburg.

The country-specific negotiations at the political level on regionalisation when dealing with African swine fever provide hope. Consequently the restrictions for Singapore and Thailand have already been relaxed. Now it is important to link this progress to the subsequent political discussions at the federal level in order to further re-open the door to the Asian markets for meat from Germany.

Binding agreements on regionalisation and compartment mentalisation must be found urgently in order to practically handle ASF.

Which parts go where?



Other parts:
 Processing meat: **Germany, EU**
 Spare ribs: **Germany, Great Britain, Chile**
 Rinds: **Germany, Great Britain**

Offal: **Germany (pet food)**
 Shoulder bones: **Recovery**
 Soft bones: **Singapore, Hong Kong**
 Neck bones: **West Africa, recovery**



Fast and convenient vaccination

In 2021 Westfleisch established its own vaccination campaign to combat COVID-19. With success: over 80 % of employees are vaccinated. They were able to quickly and conveniently get vaccinated both at the company's own central centre in Bönen and at many other pop-up centres in the individual locations. Special rewards ensured additional motivation: lotteries were established among those vaccinated for a Seat Leon Estate, several e-bikes and financial prizes.



New product ideas in trusted quality

When it comes to retail-packed fresh meat, convenience and frozen products, the demand from private households normalised in 2021 compared to the exceptional year in 2020. Stationary food retailers remain the key locations for consumers. Organic food represents a small but constantly growing niche. In the generally challenging market environment, in 2021 we were able to successfully serve consumer trends with new products.



WestfalenLand produces retail-packed fresh meat, minced meat, grill products and convenience products for food retailers. The subsidiaries IceHouse support the production of frozen specialities and Westfood delivery to large-scale customers. Although in the previous year extraordinary COVID-19 effects encouraged private households to stock up, the demand for meat products normalised significantly in 2021.



In contrast we strengthened sales to catering businesses; this was mainly due to the increase in travel activities. The supply of organic food remained constant over the year. Thanks to the wide procurement base Westfleisch was able to secure the availability of the raw materials required for this. In addition, in the middle of the year we successfully entered the market for hybrid meat goods, a new trend with products that combine meat and plant ingredients. Full alternatives to meat such as vegan mince, sausages and balls continue to be produced by WestfalenLand subsidiary Farmway Veggie Foods. This serves a small but constantly growing market as a strategic extension to our traditional business lines with the



corresponding synergy effects. As a subsidiary of Westfleisch, Gustoland is characterised by its expertise in sausage production and a reliable partner for food retail. In addition, the production support from sister company WestfalenLand in recent years has given life to industrial customer sales especially with convenience products and numerous new retail listings to the



business in Oer-Erkenschwick. This has meant that Gustoland has successfully established itself in spite of a shrinking core business for future, growing markets and new growth areas.

Time and again convenience products are always a growth driver. The trend for slow-cooked items continues; in addition to spare ribs and pulled pork products, such new creations as beef brisket are seeing rising sales with trading partners. Gustoland can also cover new range areas due to targeted investments in 2021. The set-up of a new cooking line for meatballs and frozen schnitzels enables them to serve the relevant demand in food retail and other areas precisely. Within a short period of time, Gustoland has significantly increased the production quantities and the machine is now utilised on two shifts.

Slow-cooked items such as pulled pork and beef brisket are in fashion.



Both classic and innovative products are found in the wide ranges of the refinement subsidiaries.

Competence in many disciplines

In addition to the Westfleisch core competencies in slaughtering and butchery, the group is also successful in other parts of the supply chain with its subsidiaries and affiliated companies.

Westcrown

The WestCrown joint venture in Dissen is a 50:50 cooperation between Westfleisch and the Danish meat marketing cooperative Danish Crown. The joint venture successfully bundles the sow butchery and marketing business lines of both companies.

www.westcrown.de

Wetralog Food Logistics

The group's own forwarder is the specialist for transport and logistics within the Westfleisch group. It has many years of experience in the sensitive special area of "food logistics". In addition to managing domestic meat transport, Wetralog is responsible for return logistics and live animal transport within the group. It also works internationally with the subsidiary Wetralog Romania.

www.wetralog.de

WE service

WE Service GmbH is a 100 % subsidiary of Westfleisch and undertakes property management for the group. The tasks include buying, managing and assigning homes, a technical service for all caretaker tasks such as maintenance and repairs as well as tenant support.

Farmway

Farmway in Petershagen produces innovative vegan products – such as high-quality mince and burger patties. The base for the purely plant-based food is pea protein. At Farmway the focus is on sustainable production: All of the products are made from regional peas; no soya or palm oil are used. In addition, low-plastic packaging is used to avoid unnecessary packaging waste.

www.farmway-veggie.com

DOG'S NATURE

DOG'S NATURE is a respected manufacturer of natural, usually dry dog snacks in Germany, Europe and the USA with "Made in Germany" quality. The production site of DOG'S NATURE is at the Westfleisch location in Oer-Erkenschwick. The raw goods mainly come from the Westfleisch group companies.

www.dogsnature.eu

Coldstore Hamm

Coldstore Hamm is a full service provider for frozen good logistics. The services relating to the cold store right next to the Hamm meat centre cover storage, packaging, freezing and the use of various freezing procedures as well as completing export, import and customs clearance.

www.coldstore-hamm.de



WEST FLEISCH

FROM FARMERS. DIRECTLY.



Consolidated Financial
Statements

Westfleisch SCE 2021





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Consolidated Balance Sheet

as of 31.12.2021

(with comparative figures for the financial year 2020)

ASSETS	31-12-2021		31-12-2020	
in k €				
A. FIXED ASSETS				
I. Intangible assets				
1. Concessions, patents, licenses, trademarks and similar rights and assets.	11,019		10,125	
2. Goodwill	9,047		7,593	
3. Payments on account	462	20,528	876	18,594
II. Tangible assets				
1. Land, similar rights and buildings, including buildings on third-party land	108,353		115,625	
2. Technical equipment and machinery	58,951		55,321	
3. Other equipment, factory and office equipment	17,412		19,214	
4. Payments on account and construction in process	36,237	220,953	36,148	226,308
III. Financial assets				
1. Shares in associated undertakings	8,537		8,713	
2. Participating interests	239		239	
3. Shares in cooperatives	22		22	
4. Other loans	195	8,993	210	9,184
		250,474		254,086
B. CURRENT ASSETS				
I. Inventories				
1. Raw materials and consumables	16,827		14,240	
2. Work in process	6,429		5,158	
3. Finished goods and goods for resale	89,705		72,226	
4. Prepayments received	-2,015	110,910	0	91,624
II. Receivables and other assets				
1. Trade receivables	127,927		165,616	
2. Receivables from undertakings in which the company has a participating interest	10,219		1,195	
3. Other assets	43,360	181,506	30,203	197,014
III. Securities				
Other securities		7,956		6,492
IV. Cash in hand, bank balances, and cheques		47,720		59,175
		348,092		354,305
C. PREPAID EXPENSES		2,339		4,146
		600,905		612,537

The presentation in k € can lead to rounding differences.

EQUITY AND LIABILITIES	31-12-2021		31-12-2020	
in k €				
A. EQUITY				
I. Subscribed capital				
1. Registered capital	35,061		33,231	
2. Subscribed capital unpaid	-939		-911	
3. less: Registered capital held by subsidiary	-3,640	30,482	-3,640	28,680
II. Revenue reserves				
1. Legal reserves	28,046		28,045	
2. Other revenue reserves	52,214	80,260	51,964	80,009
III. Difference from Currency conversion		-88		-123
IV. Net profit/loss for the year and retained loss		-12,878		6,141
V. Minority interests				
1. in equity	92,515		81,214	
2. in profit	5,967	98,482	15,241	96,455
VI. Special equity items		32,740		32,740
		228,998		243,902
B. PROVISIONS				
1. Provisions for pensions and similar obligations	10,410		10,207	
2. Tax provisions	3,048		2,251	
3. Other provisions	115,004	128,462	122,076	134,534
C. LIABILITIES				
1. Bank loans	79,155		68,919	
2. Advances on orders received	0		4,302	
3. Trade payables	125,796		124,312	
4. Amounts owed to undertakings in which the company has a participating interest	1,041		782	
5. Other liabilities	21,447	227,439	19,360	217,675
D. ACCRUALS AND DEFERRED INCOME		10		5
E. DEFERRED TAXES		15,996		16,421
		600,905		612,537

The presentation in k € can lead to rounding differences.

Consolidated Profit and Loss Statement 2021

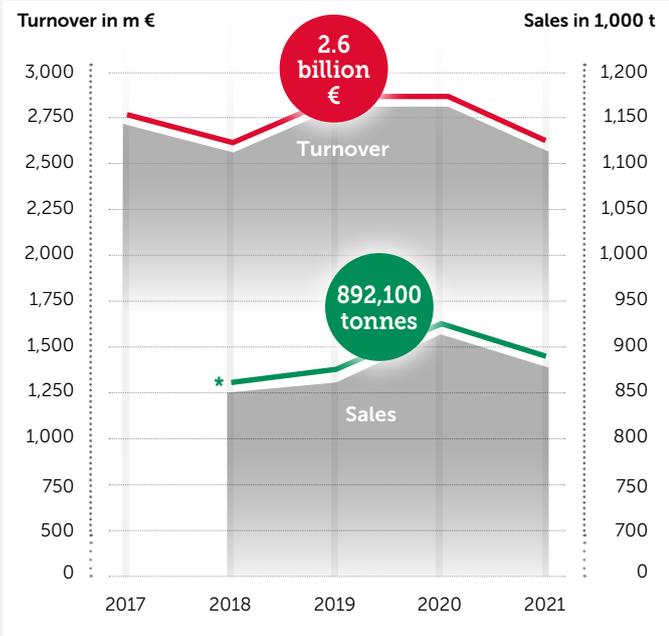
(with comparative figures for the financial year 2020)

FOR THE PERIOD FROM JANUARY 1 ST UNTIL DECEMBER 31 ST	2021		2020	
in k €				
1. Turnover	2,565,837		2,832,319	
2. Increase (+) or decrease (-) in finished goods and work in process	18,012	2,583,849	-19,542	2,812,777
3. Other operating income		45,444		24,130
4. Cost of materials				
a) Cost of raw materials, consumables and goods for resale	-1,983,737		-2,137,574	
b) Cost of purchased services	-98,714	-2,082,451	-207,267	-2,344,841
		546,842		492,066
5. Personnel expenses				
a) Wages and salaries	-261,060		-173,769	
b) Social security, pension and other employee benefits	-54,141	-315,201	-33,861	-207,630
6. Depreciation and write-downs				
Of fixed intangible and tangible assets		-44,434		-44,039
7. Other operating expenses		-196,691		-223,292
		-9,484		17,105
8. Income from participating interests	14		3	
9. Income from associated securities	361		3,725	
10. Other interest and similar income	133		327	
11. Interest payable and similar expenses	-3,962	-3,454	-4,112	-57
12. Profit before taxes on profit		-12,938		17,048
13. Taxes on profit		1,935		-8,027
14. Profit after taxes on profit		-11,003		9,021
15. Other taxes		-948		-941
16. Net profit for the year		-11,951		8,080
17. Net profit attributable to minority interests		-5,866		-2,541
18. Consolidates profit/ consolidated net loss		4,939		2,170
19. Allocation to reserves		0		-1,568
20. Net profit/loss for the year and retained loss		-12,878		6,141

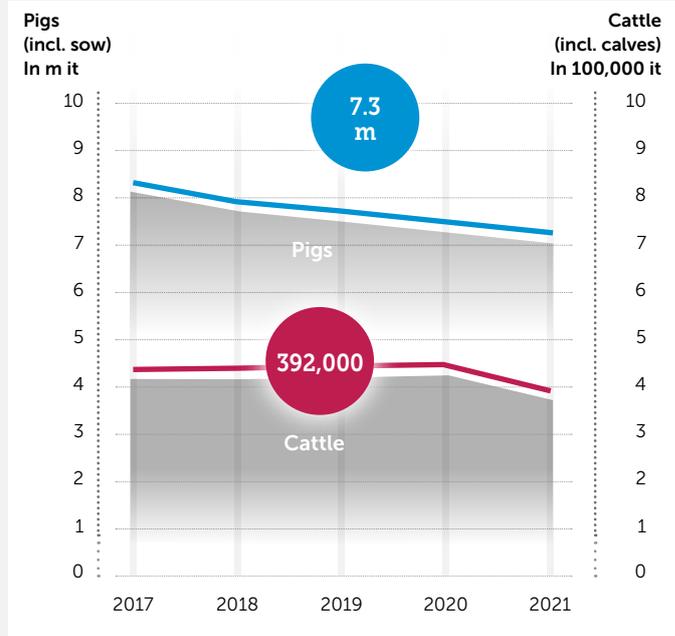
The presentation in k € can lead to rounding differences.

Group indicators

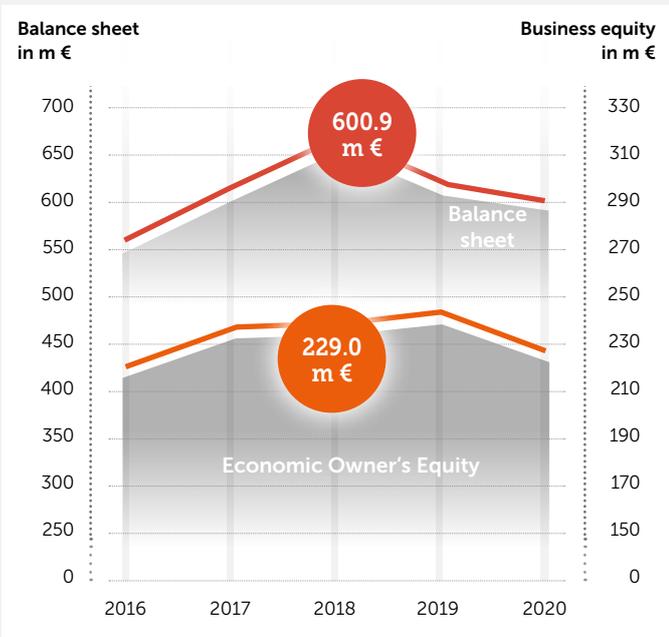
TURNOVER AND SALES



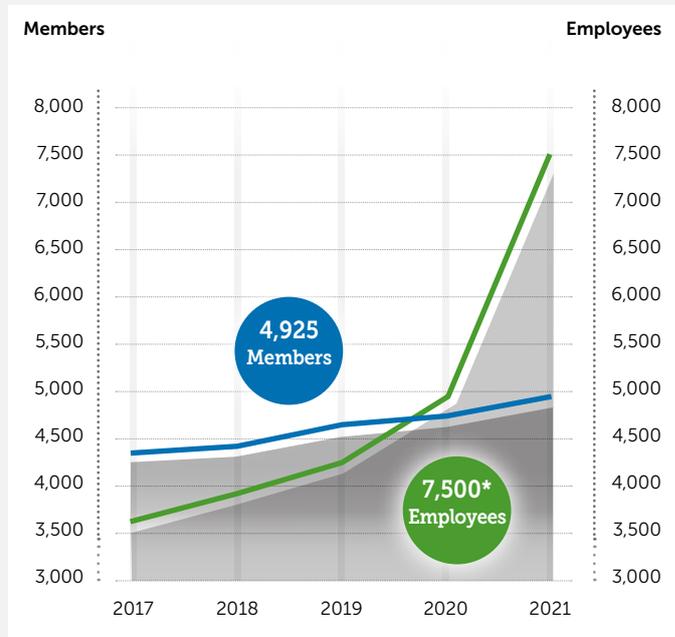
SLAUGHTER VOLUME CATTLE AND PIGS



BALANCE SHEET AND BUSINESS EQUITY



MEMBERS AND EMPLOYEES



* Number of own employees on average over the year



Imprint

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