

## Members are standing behind Westfleisch

***2020 figures are above plan / Executive Board and Supervisory Board discharged after stimulating discussion at the General Assembly / Members will receive a 4.2% dividend on their credit balance for 2019***

Münster, 18 June 2020. After a generally satisfactory year in 2019 Westfleisch is optimistic about the future: "Despite all the special burdens relating to the coronavirus, we had a good start to the new year," Carsten Schruck said at today's General Assembly of the cooperative in Münster. The chief financial officer emphasised that earnings before interest, taxes and depreciation (EBITDA) in the first five months of 2020 are significantly higher than planned as well as of the previous year.

The number of voting members was only slightly below that of previous years, which, despite the corona-related restrictions, allowed lively discussions among the members about the coronavirus and business with China.

Schruck explained the background behind the coronavirus cases that emerged last May: "On the one hand, we had to undergo the experience that our extensive hygiene concept including all its protective and precautionary measures is followed every day by everyone without exception; it has to be implemented and lived without compromise." Here the company had decisions to make and, among other things, separated itself from a contracting company. On the other hand, we had to recognize that there are some negative exceptions to our accommodations, "although very few of them will shape our public image. Now we're doing everything we can to ensure that these exceptions will no longer be possible in future."

Finally, and that is another step, Westfleisch voluntarily carries out coronavirus test series involving several thousand tests at all locations to detect any infected people as early as possible.



**Press release**

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It's also worth talking about supplying frozen pork items to China, which ensured that Westfleisch continuously offered a good and stable profit margin over several months. There were delays caused by the coronavirus incidents in China, so the business is still in the final stage of processing. This business then came under scrutiny by the public prosecutor's office. Their initial suspicion is based on a report by a former employee who had already left Westfleisch to go to a competitor a year before this Chinese business. Westfleisch has meanwhile taken legal action against the alleged descriptions of a medium in this context.

Steen Sönnichsen, who as Sales Director is responsible for the business, was confident that he could quickly dispel the formulated accusation of a contract with an "extremely low price". Sönnichsen's brother was involved in the business as an employee of an intermediary company. Sönnichsen admitted in his emotional speech that he misjudged this involvement: "I am very sorry that I put Westfleisch in an extremely uncomfortable situation. I would like to sincerely apologize to all members and employees."

He also asked to explicitly exclude the Chinese business from the pending discharge for the 2019 financial year. "I only want to be discharged of this once it has been completely settled." The members honoured this proposal and 84 percent voted for this corresponding partial discharge. The rest of the Executive Board and the Supervisory Board were fully discharged.

Chair of the Supervisory Board Josef Lehmenkühler was pleased by the broad backing: "Our cooperative currently lives from the active participation of the over 4,800 members, whether as reliable suppliers or as discussion partners at events like today. And we take criticisms very seriously – they flow into our daily activities."

### **Overview of the 2019 financial year**

In 2019, the cooperative was able to maintain its market share despite turbulent market movements. "Unusual surges in demand from Asia during the last quarter of the past year made up for a significant dip in revenue during the first half of the year", said Carsten Schruck. In the areas

of beef and veal, Westfleisch was able to successfully counteract market trends. The cooperative faced some processing challenges in line with the sector as a whole.

“Commodity prices resulted in a very unsatisfactory return situation, especially in the area of sausage production”, explained Johannes Steinhoff, who is responsible for processing, technology and quality management on the Executive Board.

### **Slight decreases in pork – beef on the rise**

In 2019, Westfleisch processed a total of around 7.7 million pigs (including sows) – a slight decrease from the previous year, which is nonetheless mild in comparison with the decline in the overall market. “The previous financial year was very challenging in terms of procurement, and as a result we were unable to equal or exceed 2018 slaughter figures”, added Sönnichsen.

Westfleisch made some gains in the area of beef, and therefore exceeded the sector trend by a significant margin. The cooperative was able to increase its slaughter numbers by 2.0 % to 433,300 head. Westfleisch veal figures suffered as a result of difficult market conditions and the effects of plentiful barn capacity in the Netherlands, which put pressure on prices here in Germany as well. Under the circumstances, a slight decrease of just 1.6 % in veal slaughter rates can almost be regarded as a positive achievement.

### **Net profit remains high**

Overall, Westfleisch achieved a total revenue of nearly €2.8 billion in 2019, representing an increase of 9.3 %. In view of the reduced slaughter numbers for the year, this rise must be attributed to higher prices across the sector. However, despite the significant increase in revenue, a slight decrease in net profit was recorded from €11.7 million to €10.7 million.

Thanks to this satisfactory result, members enjoyed yet another benefit of their cooperative’s success. Distributed div-

idends remained steady at 4.2 %. Westfleisch also distributed special bonuses to contracted farmers for all types of animals, totalling around €2.4 million.

### **New faces on the supervisory board**

New members are regularly elected to the Supervisory Board at the General Assembly. Karl-Wilhelm Steinmann has resigned from the Supervisory Board because he has transferred his agricultural business to the next generation. Bull farmer Markus Westerfeld from Bad Westernkotten has been elected to the Supervisory Board to replace Steinmann. Dr Jochen Farwick was also newly elected to the Supervisory Board. He takes over from Jochen Westermann. Farwick runs an agricultural and pig fattening farm in Lüdinghausen. Jochen Westermann has been elected as an honorary member of the Executive Board of Westfleisch SCE. Peter Piekenbrock, previously Deputy Chair of the Executive Board, has stepped down because he has shifted his focus from pork to poultry fattening. Piekenbrock has been active on Westfleisch committees for 24 years and a member of the Executive Board since 2004.

### **The future in our sights**

The company's equity increased by over 7 % and the equity ratio remains sound at 35 %, which represents a good basis for the planned investments during the year ahead relating to the "Westfleisch 2025" site structural project. This programme will enable the cooperative to develop and strengthen its market position and to invest selectively in the modernisation of individual sites. The project was initiated in 2018 and the first construction stages and modernisation works began in 2019. Progress has been made in the various approval processes for future developments at the sites. These plans and progress have not been affected by the coronavirus pandemic. The changed conditions simply mean that the existing high standards of hygiene and safety in the expansion plans must again be intensively reviewed and revised.

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Figures	2019	2018	+/-
<b>Group</b>			
Sales	2.79 bn €	2.55 bn €	+9.3%
Net profit	10.7 m €	11.7 m €	-8.6%
Equity	231 m €	215.3 m €	+7.2%
Total assets	666.3 m €	612.3 m €	+8.8%
<b>Slaughter numbers</b>			
Pigs <sup>1</sup>	7.7 m it.	7.8 m it.	-1.1%
Cattle <sup>2</sup>	433,250 it.	425,000 it.	+2.0%
<b>Processing</b>			
Pre-packaged meats/con- venience	129,000 t 38,000 t	123,900 t 38,350 t	+4.1% -0.8%
Sausage			
<b>Livestock sales</b>	2,050,000 it	2,156,400 it	-4.9%

<sup>1</sup> including sows   <sup>2</sup> including calves