“Wiesenhof” records strong growth in spite of difficult economic conditions

PHW Group increases sales by 6 percent to €1.26 billion / Core business sectors grow / Investments totalling €52.4 million / 143 more jobs in Germany / Policy of not using GM soya to continue

Rechterfeld/Hamburg, 9 February 2006. The PHW Group (Rechterfeld) continued its record of growth in the 2004/2005 financial year (ended 30 June), increasing its consolidated total turnover, adjusted for internal sales, to €1.26 billion (previous year: €1.19 billion). That represents a growth of 6 percent or €72 million.

As in previous years, the growth was mainly attributable to the pleasing performance of “Wiesenhof”, Germany’s leading poultry brand. At €786 million in the financial year ended (previous year: €717 million) sales increased by 9.6 percent in spite of difficult economic conditions. The Human Nutrition and Health division achieved sales of €66.6 million, which was slightly up on the previous financial year (2003/2004: €65.6 million). Animal Nutrition and Health, on the other hand, reported a fall of 5.4 percent to €303.8 million. The other sales in the PHW Group were generated by the “Breeding and Rearing” division which supplies the “Wiesenhof” brand (an 18.2 percent increase, to a new level of €57.9 million). The number of staff employed in the company group rose by 143 during the year under report to reach 3,986 (previous year: 3,843).

“Wiesenhof”: the “single source principle” applies equally to ducks

During the year under report two new companies involved in duck production joined the group – the hatchery Duck-Tec Brüterei GmbH in Belzig (Brandenburg) and the Grimme-based processor, Wiesenhof Entenspezialitäten GmbH & Co. KG. This means that “Wiesenhof” is now also able to offer its customers the “single source principle” for duck production. Following the initial consolidation, Wiesenhof Entenspezialitäten GmbH & Co. KG already accounted for sales of around €29 million. Additional investments in the rearing of parentstock are planned for the current financial year, and a second duck processor, located in Neutrebbin (Brandenburg), is to be acquired. In the light of these measures, the PHW board of directors is expecting further growth in this sector.
The strong increase in sales in the “Breeding and Rearing” division is attributable to the expansion of capacity. In August 2004, “Wiesenhof” began operating a new hatchery in Möckern, and invested in parent livestock farms in Bassin.

Growth in exports

“Wiesenhof” recorded significant growth in exports. International business increased by 17.8 percent to €103 million (previous year: €87 million). In Scandinavia and eastern Europe in particular, the company gained additional customers. Paul-Heinz Wesjohann: “The trend shows that our quality concept and our processing operations put us in the top league.”

Furthermore, during the financial year ended, the brand benefited from a renewed increase in demand for poultry meat. Per capita consumption in Germany rose from 17.8 kg to 18.0 kg. Another factor driving growth is the continued high level of trust which consumers have in the uncompromising origin, quality and safety concept, which is implemented in collaboration with some 700 partner farms and producer associations. It comprises a production process that operates on the “single source” principle. All the production stages are located in Germany, and the feed supplied by the Group’s own feed mills has been guaranteed free of animal protein since 1996, and free of antibiotic performance-enhancers since 1997. The farms that rear the birds are named on the origin label. Furthermore, “Wiesenhof” is the only European supplier to guarantee verifiably that the feed from its own mills contains no genetically modified soya and is also produced free of salmonella. Paul-Heinz Wesjohann: “As far as the current discussion about green genetic engineering is concerned, my opinion is perfectly clear: for our Wiesenhof products we continue to pursue a policy of using only non-GM soya.” All the poultry slaughterhouses and processing plants in the company group have eco certificates and QA certificates.

The poultry industry: improved price situation for fresh poultry in the second half of the year

As a full-range supplier of poultry – from chickens through to turkeys and ducks – the PHW Group further expanded its national market position with its umbrella brand “Wiesenhof”. New seasonal barbeque and duck specialities were a contributory
factor, and there is also strong demand for “Wiesenhof” convenience products with high added value.

In the second half of the financial year (spring 2005), demand for fresh poultry outstripped supply in Europe, leading to higher prices. It is precisely fresh poultry that offers European producers like “Wiesenhof” the best opportunity to set themselves apart from competitors in non-EU countries, and especially Brazil. Overseas products enjoy competitive advantages because their production costs are far lower. “Wiesenhof” redresses this imbalance with its secure, closed-loop quality system and also its geographic proximity to the trade and the consumer. What's more, in the words of Paul-Heinz Wesjohann, “The quality of the “Wiesenhof” brand also protects us against negative effects resulting from the recent meat scandals.”

**Higher investment than the previous year**

Investment by the PHW Group rose again by around €7 million during the year under report. Of total investments, amounting to €52.4 million (previous year: €45.6), the majority (€35.3 million) went to the Wiesenhof production plants, including expansion of capacity at Wiesenhof in Lohne and acquisition of new farms in Bassin (€7 million). In Poland, the PHW subsidiary Drobimex invested a total of €4.9 million, a large part of which was for the construction of a hatchery, which began operation in the autumn of 2005.

Of the investments in the “Animal Nutrition and Health” sector, totalling €9.3 million, expansion of the vaccine production plant at Lohmann Animal Health GmbH & Co. KG (LAH) in Cuxhaven was the largest single item. Expenditure on R & D was unchanged at €9.6 million, and focused mainly on the development and marketing authorisation of vaccines at LAH and new pharmaceutical products at TAD Pharma GmbH (Cuxhaven).

**“Animal Nutrition and Health” sector: LAH remains stable**

Lohmann Animal Health GmbH & Co. KG (LAH), which belongs to PHW's Animal Nutrition and Health division, increased its sales by 3.8 percent over the financial year to reach almost €132 million (previous year: €127 million). Owing to falling prices in the raw materials market, MEGA Tierernährung GmbH & Co. KG (MEGA)
saw its sales drop from €186 million to €168 million, so that the sector experienced an overall decrease of 5.4 percent.

“Human Nutrition and Health” sector: Nutrilo achieves growth

Nutrilo Gesellschaft für Lebensmitteltechnologie mbH (Cuxhaven), which specialises in the production of vitamin mixes for the food industry, increased its sales during the year under report by 6 percent to €18.4 million (previous year: €17.3 million). This growth was principally due to the company's international business (up by 17.8 percent). The Group company TAD Pharma, which produces generic drugs, reported sales worth €48.3 million, which represented a slight increase compared to the year before.

PHW Group extends its lead

With effect from 1 October 2005, the PHW Group restructured its executive management and enlarged the board of directors. “The right mix of family and non-family” – that’s how Paul-Heinz Wesjohann sums up the new management format, which is a continuation of the generational change which had been underway for a number of years, and which covers the areas handled by Board Member Harm Specht (63), who retired last December.

Paul-Heinz Wesjohann remains chairman of the PHW Group. His son, Peter Wesjohann (36), who was already on the Board as the head of Germany's leading poultry brand, “Wiesenhof”, will, apart from managing the areas of Marketing and Product Development, also become Director of Sales and supervise HR and legal matters for all the PHW companies. Doris Wesjohann (34) is the PHW board member responsible for finances and real estate. The Board also welcomes two other newcomers with long-standing management experience: Dr Heinrich Paul Dröge (46) – responsible for PHW Group Controlling, IT, Production Technology and “Wiesenhof” Logistics – and Adrian von Klopmann (46), who is in charge of “Wiesenhof” Production Planning and Control, Export and foreign investments in this sector.
Outlook: the company expects moderate growth

Potential for further growth is being generated by internationalisation, expansion of exports and further development of the Wiesenhof production concepts towards convenience and wellness, with the new “wellfresh” range of poultry sausages, fresh and deep-frozen segments. The latest sales analysis supports this positive forecast. While “no-name” goods are losing ground because of the avian influenza debate, the “Wiesenhof” brand, in contrast, is enjoying growing consumer confidence. Nevertheless, in Wesjohann’s view, a positive trend is dependent on “the media reporting on avian influenza objectively and without whipping up any hysteria, and Germany staying free of avian flue cases.”

In other core business sectors too, the course was set last year for future growth. For example, Nutriloto has such a full order book that its new production capacity is already exhausted, and the company is planning further expansion phases. TAD Pharma has acquired a highly promising shareholding in Italy and is currently engaged in a national health project with excellent prospects. LAH will increase its depth of production in the field of animal feed additives, thereby improving profitability. In addition, bacterial poultry vaccines have now been authorised in more EU countries.

The PHW Group is building a new feed manufacturing plant in Poland, and will also invest in new parent livestock farms, so that, in the future, poultry meat production will be organised in the same way as in Germany – in the form of a closed-loop production chain. In Rechterfeld, Europe’s most modern hatchery is being built at a cost of around €20 million. In total, investments over the current financial year will be even higher than the previous year. The PHW Group is expecting moderate growth for the 2005/2006 financial year.

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