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**Unternehmensgruppe  
Theo Müller S.e.c.s,  
Luxemburg**

Audit of the Consolidated Financial Statements for the Period  
Ending December, 2019  
and the Group Management Report for Financial Year 2019

Translation – the German text is authoritative

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# **Unternehmensgruppe Theo Müller S.e.c.s. – Consolidated Financial Statements 2019 –**

**(R.C.S. Nr. B 163670)**  
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**Unternehmensgruppe**  
Theo Müller



## Table of Contents

Group Management Report for the Financial Year 2019 .....	3
Consolidated Balance Sheet .....	23
Consolidated Income Statement .....	25
Consolidated Statement of Comprehensive Income .....	26
Consolidated Cash Flow Statement .....	27
Consolidated Statement of Changes in Equity .....	28
General Comments .....	30
<i>Basis of Preparation of the IFRS Consolidated Financial Statements</i> .....	42
Explanatory Notes to the Consolidated Balance Sheet .....	72
Explanatory Notes to the Consolidated Income Statement .....	96
Other Disclosures .....	102

## Group Management Report for the Financial Year 2019

### 1. Business objectives and business segments

#### 1.1 Overview

The Unternehmensgruppe Theo Müller S.e.c.s (hereinafter referred to as the "Unternehmensgruppe Theo Müller" or "Group") is an international food entity with approximately 24,000 employees spanning across 12 countries in Europe. The group activities of Unternehmensgruppe Theo Müller are divided into the business segments of dairy, deli and services. The Group parent company is the Unternehmensgruppe Theo Müller S.e.c.s., headquartered in Luxembourg. The Unternehmensgruppe Theo Müller S.e.c.s. combines the operations of the three business segments and acts as an investment and management holding.

The consolidated financial statements of Unternehmensgruppe Theo Müller S.e.c.s. as of December 31, 2019 include a total of 106 fully consolidated companies as well as three companies accounted for under the equity method.

#### 1.2 Business segments of the Unternehmensgruppe Theo Müller

##### Dairy

The dairy products segment of the Unternehmensgruppe Theo Müller produces and distributes fresh dairy products as trademarked and private label products, dairy base products and cheese as well as certain milk and whey derivatives for industrial processing. Distribution mainly takes place in Europe. Own distribution units are located in Germany, the United Kingdom, the Netherlands, Italy, the Czech Republic, Poland and Slovakia. The business segment has production facilities in Germany, the United Kingdom and the Czech Republic.

##### Deli

The deli segment includes the production and distribution of chilled salads, dressings and sauces, convenience foods and fish specialities. Furthermore, various products are produced as commissioned by large food manufacturers as well as for food wholesalers and industrial operations. The focal point of the operations lies in Germany and Poland, where the production facilities are also located.

##### Services

In addition to the companies that process fruits and manufacture packaging primarily for their own purposes, the services business segment also has its own logistics companies for the rendering of transport and logistics services within and outside of the Unternehmensgruppe Theo Müller. In this respect, the English CULINA group is of particular importance, because it is a leading company in the United Kingdom and Ireland in the area of food logistics and generates a high share of sales from business with third-party customers.

In addition, there are service companies for the rendering of intragroup services in the areas of media and marketing, strategic purchasing, financing, corporate finance and private equity as well as plant facilities for the repair and maintenance of vehicles. The companies in the services segment are located in Luxembourg, Germany, the United Kingdom, Belgium, Hungary, Poland and Switzerland.

### **1.3 Research and development**

The Unternehmensgruppe Theo Müller operates a central research and development center at the Technology Center Freising, Freising / Germany for the dairy products segment. It also provides research and development services for various subsidiaries, where the focus of the research and development activities is predominantly on product and process innovations. In the financial year under review, research and development costs amounted to T€ 16,767 (prior year: T€ 17,566).

## **2. Market and macroeconomic conditions**

### **2.1 Macroeconomic environment**

According to the International Monetary Fund (IMF), global economic growth slowed from +3.6% in the previous year to +2.9%. In particular, geopolitical and economic policy factors, such as the continuing trade conflict between the USA and China and the discussions about the UK's withdrawal from the European Union (Brexit), had a negative impact on economic growth. The expansive monetary policy of the global central banks was the dominant theme on the capital markets. Contrary to the expectations of the previous year, the US Federal Reserve took an increasingly accommodative course in 2019, which had a very positive effect on the capital markets.

Economic growth in the emerging markets also slowed from +4.5% in 2018 to +3.7% in 2019, with the two major emerging markets in particular, China with growth of +6.1% and India with growth of +4.8%, recording weaker growth rates than in the previous year.

With a one-year delay, the economic downturn also reached the USA in 2019. While the impact of the tax reform adopted in 2018 weakened, the costs of the trade conflict became increasingly visible. Compared to other developed economies, however, the US economy was very stable with growth of +2.3%.

Economic growth also slowed down in the markets relevant to the Unternehmensgruppe Theo Müller. Growth in the European economic zone continued to weaken with an increase of only +1.2% compared to the previous year. The downturn, driven by uncertainty about the future of world trade, had an impact in the eurozone, particularly in the export-oriented countries.

In Germany, the economy slowed down significantly in 2019. With growth of +0.6% in 2019, the German economy cooled off much more sharply than the economy in the European economic zone as a whole. After a long upswing, the German economy went through a weak phase. This was due to the global downturn in the industrial economy together with a decline in world trade. Increased political uncertainties worldwide, international trade conflicts, uncertainty about the UK's withdrawal from the European Union and lower global economic growth also had a negative impact on Germany in 2019 and hit the export-oriented German industry particularly hard.

According to the Annual Economic Report issued by the German Federal Government, the most important economic indicators developed as follows:

- Change in gross domestic product (price-adjusted) by +0.6%
- Slight decrease in the unemployment rate to 5.0%
- Increase in private consumption (price-adjusted) by 1.6%

The British economy recorded growth of +1.4%, slightly above the previous year's level of +1.3%. It was primarily thanks to consumers that the British economy did not cool down any further and was largely able to defy the ongoing irritations about the withdrawal from the European Union. However, growth in private consumption weakened again, despite rising real wage growth, and amounted to +1.3%. In the previous year, growth of +1.6% was achieved. While rising real wages provided a positive stimulus, subdued consumer confidence had a weakening effect on growth. The Bank of England assumes that the uncertainty of Britain's withdrawal from the European Union has weighed on demand for consumer goods, and in particular for "non-essential" consumer goods. The inflation rate fell to +1.8% in 2019 (previous year: +2.5%), partly due to lower oil prices and the expiry of the effects of the pound's devaluation in 2016. The labour market continued to perform well, although employment growth has slowed down.

According to the European Commission's Country Report 2020, the main economic indicators developed as follows in 2019:

- Change in gross domestic product (price-adjusted) by +1.8%
- Slight decrease in the unemployment rate to 3.8%
- Increase in private consumption (price-adjusted) by 1.6%

## 2.2 Business segment-specific macroeconomic conditions

### Dairy

In 2019, global milk production in the most important exporting countries increased by only +0.3 million tonnes compared to the previous year. It amounted to approximately 427 million tonnes. In none of the major exporting countries was there a significant increase. While milk production rose marginally in Europe (+0.5%) and the USA (+0.3%), there were declines, some of them significant, in Australia (-6.6%), New Zealand (-0.7%), Argentina (-1.7%), Chile (-1.3%) and Uruguay (-4.2%).

In Europe (EU-28), milk production increased by +0.5% over the previous year to 158 million tonnes. This corresponds to an increase in milk volume of +0.8 million tonnes. The increase was therefore weaker compared to the average of the past ten years. The largest increase of +0.4 million tonnes (+5.3%) was in Ireland. This equates to half the increase in the EU. Further increases were recorded in the United Kingdom with +0.2 million tonnes (+1.6%) and Poland with +0.2 million tonnes (+2.0%), while the increases in the other countries were relatively insignificant. The largest volume reduction was in the Netherlands, by -0.1 million tonnes (-0.7%). Further decreases were recorded in Sweden with -0.06 million tonnes (-2.1%), Germany with -0.05 million tonnes (-0.1%), France with -0.04 million tonnes (-0.2%) and Italy with -0.05 million tonnes (-0.4%).

Due to favourable weather conditions, the volume of milk delivered in the United Kingdom in 2019 increased by 0.2 million tonnes to 15.4 million tonnes compared with the same period of the previous year. This corresponds to an increase of +1.6%.

In almost all categories, the production of dairy products increased in Europe (EU-28). The only exception is the production of drinking milk, where there was a drop in production of -3.3%. The quantity of butter produced reached a new peak with an increase of 58,000 tonnes (+2.7%). Alongside this, the additional raw material was primarily processed into cream (+3.5%), cheese (+0.3%) and fresh products (+0.2%). Compared to the previous year, production of whole milk powder remained virtually unchanged, as was the case for skimmed milk powder.

The weighted average wholesale milk price in the EU-28 was 35.4 cents/kg in December 2019, almost unchanged from the previous year's level by -0.1 cents/kg.

Milk producer prices in Germany developed heterogeneously compared to the previous year, fluctuating from a peak of 33.8 cents/kg in January to 33.3 cents/kg in December. The weighted average wholesale price for raw milk (based on standard content of 4.0% fat / 3.4% protein) was approximately 33.7 cents/kg in Germany, down -1.9% on the previous year (34.4 cents/kg).



In the United Kingdom, the average milk price in 2019 with standard content (fat 4.0%, 3.3% protein) fell by -1.5% compared to the previous year and was 28.9 ppl (*pence per litre*).

In the Czech Republic, the milk price fell by -1.5% from CZK 8.9 per litre in January to CZK 8.8 per litre in December 2019.

### Deli

Sales in the German food retail trade (LEH) with so-called *packaged goods* increased by +1.7% compared to the previous year, which means that sales growth was slightly above the previous year's figure of +1.2%. As a result of the very good employment situation, real wages rose again in 2019, further improving the economic situation of households. In addition, consumers paid more attention to the quality of products when shopping. This means that price as the sole decision-making factor for consumers has once again become less important. As a result of the good economic situation of many households, out-of-home consumption has also risen significantly again, which according to GfK estimates is reflected in an increase of just under 5% in 2019, thus having a dampening effect on volume demand in the retail sector.<sup>1</sup> Overall, the volume sold by the retail sector in 2019 also fell slightly by -0.5% compared with the previous year.

As in previous years, the increase in turnover in the food retail sector therefore results solely from the increase in prices paid (+1.7%, previous year: +2.7%). Of this, 2.0% originates from so-called trading-up, i.e. the switch to higher-value products and the associated higher price. Of significance in this development is, for example, the increasing demand for organic products, but also consumer interest in new and often innovative products from start-ups that encouraged households to switch product ranges.

However, there is a new shift: +0.3% of the trading-up (prior year: +1.0%) results from product mix changes, i.e. the purchase of newly introduced products that are more expensive than existing, comparable products, and +1.7% (prior year: +0.6%) results from the conscious switch to higher-quality products. If the inflation rate in the retail sector had not been negative in 2019 at -0.3% (prior year: +1.2%), the overall increase in sales would have been even somewhat higher. However, the increase in the prices paid is entirely attributable to the shopping behaviour of the shoppers.<sup>1</sup>

The individual product segments in the deli business segment developed significantly weaker over the course of the year when looking at the market as a whole. The gourmet salads segment, which can be divided into side salads and on-bread salads, fell in total in 2019 by -3.0% in terms of sales. The largest category, on-bread salads, which accounts for approximately 64% of the sales volume, and the category of side salads were almost equally affected by this decline. While the fish specialties segment remained stable and, at +0.1%, almost matched the prior year's level, the smallest segment by sales, fish marinades, also suffered a decline in sales of -6.3%. In the fish specialties segment, Nordsee fried fish in particular developed very positively and achieved a significant increase in turnover.

The overall market for the Sauces & Dressings segment again developed slightly positively in 2019, recording a sales increase of +1%. In 2019, barbecue sauces were weaker at -3.0%

<sup>1</sup> GfK-Nürnberg e.V., GfK Consumer Index 12/2019, Internet address: URL: <http://www.gfk-verein.org>

compared to the prior year. Liquid salad dressings also suffered a slight decline in sales of -2.0%. The winners in 2019 were ketchups with an increase of +3% and especially mayonnaises with an increase of +5%.

On the procurement market, an overall reduction in material costs of -1.3% was achieved compared to the prior year. However, the development in the individual product groups was very heterogeneous.

Based on a sourcing strategy for the purchase of rapeseed oil introduced in the 2018 financial year, significant savings were achieved in 2019 compared with the prior year in a very dynamic market.

Improvements were also achieved in the procurement of herring in the past financial year. While the fishing quotas for herring were significantly reduced for the North Sea and Baltic Sea, the quotas for the Norwegian Sea have increased slightly. With demand from the fish oil and fishmeal industry rising significantly at the same time, prices were reduced in the 2019 financial year, as developments in procurement were anticipated at an early stage and taken into account in purchasing decisions in previous periods.

Following the fipronil crisis in 2017 and 2018, the cost prices of egg products rose significantly by mid-2018. The calming of the market began in the second half of 2018 and continued in the 2019 financial year. Compared to the prior year, savings of -7.9% were achieved for egg products, although the price level was still extraordinarily high, especially in the first half of 2018. However, despite this cost reduction, the cost of egg products in 2019 was still above the price level that prevailed before the fipronil crisis.

The positive effects of the discontinuation of sugar market regulation also resulted in significantly lower costs in 2019 (approx. -12%). The cost of fruit was reduced by around 20% thanks to a good apple harvest and a historically low price for currants.

Opposing effects can be observed in particular in the areas of vegetables (+10.4%), meat raw materials (+5.5%) and Alaska pollock (+17.8%). The additional costs for vegetables are due to the drought in 2018 / 2019, the associated crop failures and poor quality at the same time. In particular, market prices for onions and white cabbage had risen sharply in the unexpectedly high demand months of summer 2019.

Meat prices rose massively due to the outbreak of African swine fever (ASF) in China. China is the world's largest producer and consumer of pork. Due to ASF, the country had to cull a large proportion of its own pig stocks and meet domestic demand for pork through imports, most of which came from Europe. This demand pull led to sharply rising market prices for pork in Europe.

Global demand for Alaska pollock exceeded supply in 2019 as well. There was high demand in the USA, where the species was officially included in the "School Lunch Program", as well as in China, which resulted in an overall increase in the price of Alaska pollock.

#### Services

The British logistics market is the third-largest in Europe after Germany and France. The economy in the United Kingdom was marked by stable economic growth in 2019, with an increase of +1.4%, matching the prior year's level of +1.3%. The economy thus developed more strongly than the German economy and the economy in the eurozone as a whole.

The British food retail industry is still undergoing a period of transition, which is characterized by traditional food retailers continuing to lose market share and discounters steadily expanding their market position. Due to the fierce competition on both the British food retail segment and on the logistics market, the providers of logistics services are still exposed to high cost pressure, which weighs more and more on the liquidity of the companies. Moreover, consolidation and acquisitions on the logistics market in the past have aggravated the competitive situation in Great Britain and permanently increased the economic pressure on the entities.

### 3. Net assets, financial position and result of operations

#### Net assets

Non-current assets of T€ 2,838,142 (prior year: T€ 2,354,665) mainly consist of intangible fixed assets of T€ 580,915 (prior year: T€ 587,050) and property, plant and equipment of T€ 1,688,124 (prior year: T€ 1,560,917).

While intangible fixed assets decreased by T€ -6,135 compared to the prior year, property, plant and equipment increased by T€ +127,207. The change in intangible fixed assets is *mainly due to the impairment of a trademark right in the dairy business segment.*

The increase in property, plant and equipment is the result of high capital expenditures made in the year under review amounting to T€ 338,384 (prior year: T€ 378,058), although this was slightly lower than in the previous year. Of this amount, T€ 148,447 alone relates to technical equipment and machinery and T€ 128,028 to assets under construction. Depreciation of property, plant and equipment comes to a total of T€ 235,607 (prior year: T€ 185,491), of which T€ 58,351 relates to impairment charges. These mainly relate to the dairy segment and are largely connected with the closure of a production site for fresh milk in Foston, Derbyshire, England.

The capitalisation of rights of use from leases through the first-time application of IFRS 16 resulted in an increase in non-current assets of T€ 237,157 (prior year: T€ 0).

Real estate held as investment property is shown under non-current assets. This deals with a real estate mix of commercial and residential property in Dresden / Germany. The net carrying value is T€ 22,880 as of the balance sheet date (prior year: T€ 23,346).

The investments accounted for under the equity method increased only slightly against the prior year by T€ 131 to T€ 671. The increase is almost entirely due to a capital measure at an associated company.

Non-current financial assets amount to T€ 143,288 (prior year: T€ 109,743) as of the balance sheet date, an increase of T€ +33,545 compared to the previous year. Besides investments amounting to T€ 4,193 (prior year: T€ 2,707), non-current financial assets mainly include non-current securities of T€ 79,933 (prior year: T€ 70,496), other loans of T€ 32,656 (prior year: T€ 19,550) and derivatives of T€ 25,203 (prior year: T€ 15,629).

Current assets rose by T€ +13,179 to a total of T€ 1,348,731, mainly as a result of higher trade receivables (T€ +33,722), which reflect the increased business volume of the Group companies in the financial year, and an increase in other financial assets (T€ +7,624). In contrast, other receivables (T€ -20,484) developed in the opposite direction due to lower tax receivables, and cash and cash equivalents, which fell by T€ -9,811 in the financial year.

Consolidated equity increased by T€ +114,001 to T€ 2,154,617 compared with the previous year's figure, mainly as a result of the consolidated annual net profit of T€ 92,000, currency translation differences of T€ 37,960 recognized in equity and withdrawals by shareholders of T€ -13,319.

The performance-related compensation entitled to the shareholder from convertible preferred equity certificates CPECs (*yield*) amounted to T€ 87,457 in the financial year and was settled by the issuance of new CPECs. As a result, CPECs increased in total from T€ 2,797,649 to T€ 2,885,106. With a simultaneous increase in total assets of T€ 4,189,911 (prior year: T€ 3,698,474) by T€ +491,437, the high equity ratio decreased by -3.8 percentage points compared to the previous year's value and amounted to 51.4% (prior year: 55.2%) as of the balance sheet date.

Non-current liabilities increased by T€ +283,369 compared with the previous year, amounting to T€ 839,725 at the end of the financial year (prior year: T€ 556,356). The increase of T€ +244,595 is mainly due to the first-time recognition of leasing liabilities in accordance with IFRS 16.

Current liabilities increased by T€ +94,067. Significant decreases in other liabilities (T€ -18,204) and other financial liabilities (T€ -5,153) were offset by significant increases in trade payables (T€ +45,458), financial liabilities (T€ +33,506) and leasing liabilities (T€ +27,639). While the increase in leasing liabilities results from the implementation of IFRS 16, the increase in financial liabilities is mainly due to the utilisation of a short-term credit line.

#### Financial position

Cash and cash equivalents (refer to note [27]) of the Unternehmensgruppe Theo Müller amounted to T€ -99,547 (prior year: T€ -19,091) and decreased by T€ -80,456 compared to the previous year. Cash flow from operating activities increased by T€ 163,310 to T€ 357,932 (prior year: T€ 194,622).

Cash flow from investing activities increased significantly in the financial year and, at T€ -361,180, was T€ -182,777 up on the previous year's figure of T€ -178,403.

The cash outflow from financing activities of T€ -125,634 (prior year: cash inflow of T€ 36,986) changed by T€ -162,620 compared with the previous financial year.

### Result of operations

The total sales of Unternehmensgruppe Theo Müller in the 2019 financial year amount to T€ 5,702,444, a slight increase of +1.9 % over the previous year's figure (prior year: T€ 5,595,531). This development is mainly attributable to the Services business segment, to which the logistics business of the English CULINA Group belongs. In addition to strong organic growth at the UK subsidiaries, the companies acquired in the 2018 financial year also had a positive effect on sales revenues, as these companies are now included in the sales revenues for the full calendar year for the first time. The Dairy segment also developed positively, although a reduced sales volume was recorded in the English brand and fresh milk business. The Deli segment recorded a slight decline in sales in the current financial year after a moderate increase in sales in the previous year. While sales revenues on the Polish market in particular were again increased significantly, the trend in Germany was in the opposite direction. With the overall market in decline, the Deli segment recorded a slight drop in sales.

The Group's gross profit developed positively compared to the previous year. As a result of the slightly higher sales revenues and almost unchanged costs of materials of T€ 3,497,716 (prior year: T€ 3,501,931), the cost of materials ratio improved to 61.3% (prior year: 62.6%). In addition, the significant increase in other operating income led to a rise in gross profit to a total of T€ 2,441,559 (prior year: T€ 2,295,729). The increase in other operating income amounting to T€ +29,514 is mainly due to an increase in income from foreign currency valuation of T€ +79,253 in the 2019 financial year and the absence of one-off special effects in the Deli segment affecting the previous year, which amounted to T€ 66,635.

Personnel expenses rose by T€ 73,574 to a total of T€ -1,128,392 (prior year: T€ -1,054,818), which led to a higher personnel expense ratio of 19.8 % (prior year: 18.9 %) despite a slight increase in sales revenues. Personnel expenses in the Services business segment in particular increased significantly as a result of the expansion of the logistics business in England, due to the first-time inclusion for the full year of personnel expenses for the companies acquired in the previous year and the organic growth achieved.

Depreciation increased as expected in the current financial year, rising by T€ 133,312 to a total of T€ -338,125 (prior year: T€ -204,813). The reason for this is the depreciation of rights of use amounting to T€ -61,598, which have been recognized since 1 January 2019 with the first-time application of IFRS 16. In addition, impairment losses increased by T€ 54,562 compared with the previous year.

Other operating expenses of T€ -930,808 (prior year: T€ -900,336) increased in the past financial year and were T€ 30,472 higher than the previous year's figure. The increase is mainly due to the foreign currency valuation of T€ 74,358. In contrast, rental expenses decreased by T€ -66,567 due to the application of IFRS 16.

Despite an improved gross profit, the operating result (*EBIT*) for the financial year was down very significantly on the previous year due to increased expenses and one-off special effects. It amounted to T€ 44,234 at the end of the financial year (prior year: T€ 135,762), which corresponds to a decrease of T€ -91,528.

The positive financial result of T€ 20,392 (prior year: T€ -5,262) improved by T€ +25,654 compared to the previous year. While the net interest result of T€ -18,655 deteriorated by T€ -3,410 compared to the previous year (prior year: T€ -15,245), mainly due to the first-time application of IFRS 16, the other financial result improved significantly by T€ +29,249 and amounted to T€ 39,066 (prior year: T€ 9,817) as of the balance sheet date. The large increase is mainly due to currency translation differences of T€ +53,070 and exchange rate losses from hedging transactions of T€ -25,956.

After taking taxes into account, the result from continuing operations for the 2019 financial year amounts to T€ 92,000, which also corresponds to the consolidated net income for the year. Compared with the comparable figure for the previous year, this represents a drop of -6.3%. For the 2018 financial year, the result from continued operations amounted to T€ 98,180.

The earnings generated in the 2018 financial year from the sold Food Retail segment amounted to T€ 104,556 and included the combined income and expenses of the NORDSEE Group from the beginning of the financial year until the date of deconsolidation on December 3, 2018 as well as the proceeds arising from the disposal. The consolidated net income for the previous year, which included the result from the sold business segment, therefore amounted to T€ 202,736.

#### **4. Accounting-related internal control system and risk management system**

The Unternehmensgruppe Theo Müller has established an opportunities and risk management system.

Risks and opportunities are systematically included in the planning and decision-making processes on the basis of defined standards. As opportunities and risks basically represent the two aspects of entrepreneurial activity, the opportunities usually arise from the complementary view of the operational and functional risk structure in all risk fields. Thus, potential hazards can be minimized early on and opportunities efficiently and successfully exploited.

The risk management system is an integral part of all planning, controlling and reporting structures.

The company's management regularly deals with risk management issues.

#### **5. Risk report**

The following is a presentation of the material risk areas and individual risks.

##### Procurement and sales markets

The procurement and sales markets count among the core risk fields. On the procurement markets all consolidated companies are under the leadership of the international central purchasing management of the Unternehmensgruppe Theo Müller, which proactively manages the supplier portfolio. Thus, dependency on individual suppliers can be reduced and the availability of necessary goods and services assured at all times.

Milk supplier agreements with farmers cover a vast portion of the required purchases. The maintenance and expansion of the milk supply relationships is thus very important. Milk deliveries are also subject to strict quality controls. The basis for successful risk management is an extensive purchase information system, which assures permanent transparency for all purchases. The interdisciplinary teams work closely on finding alternative formulas and packaging in order to be able to react to unforeseen fluctuations in commodity prices. With innovative solutions and creative ideas, the Unternehmensgruppe Theo Müller sees additional opportunities to better respond to customer needs and gain new market share.

In the area of sales, the risks to the company are primarily found in the increased fierce competition and the growing price/condition pressures applied by the customers. The Unternehmensgruppe Theo Müller counters such risks in the branded business through product innovation, high support for brands, media and sales as well as continued maintenance and strengthening of customer relations. At the same time, the private label business allows for improved utilization of capacity and costs. The expansion in the cheese, basic and industrial product sectors creates an optimal utilization of all the constituent parts of milk as well as increasing the in-house supply of cream, buttermilk and whey.



The deliveries of the Group companies to retail and industrial customers are secured with credit insurance with the exception of a very few customers whose likelihood of default is extremely low. The customer structure at the Unternehmensgruppe Theo Müller is composed of wholesalers, distributors, retail chains and purchasing cooperations. The sold branded products in Germany, the United Kingdom, Poland, and Italy have a fixed, historically established customer structure as opposed to the commodities sector. Thus, the only default risk for receivables under normal market conditions is in the Group's participation in bad debt losses. The receivables management guarantees up-to-date information to allow for prompt reaction to looming bad debt losses.

#### Capital expenditures

Capital expenditures are associated with the risk threat that the assumptions or forecasts do not occur as predicted and poor investments are made, which then compromise the net assets, financial position and result of operations of the Unternehmensgruppe Theo Müller. To counter such risks appropriately, decisions regarding investments in capital goods are made using fixed and differentiated rules governing responsibilities and approval processes which govern all relevant areas and are stipulated in an internal directive. Capital expenditures are subject to prior detailed analysis of risk factors. The project reviews form the basis for successful project management and effective risk minimization.

#### Production

The risks in production are mitigated by the high levels of employee qualifications, clearly defined safety standards, quality monitoring and the regular maintenance of equipment. The negative impacts generated by possible production outages can be compensated with flexible production controls and hedged in an economic manner with insurance coverage.

#### Financial risk

The Unternehmensgruppe Theo Müller S.e.c.s. has a centralized approach to financial risk management for identifying, quantifying and controlling risks. Financial risks take the form of market risks resulting from fluctuations in interest rates, prices and foreign exchange rates. The central Treasury department of the Unternehmensgruppe Theo Müller thus closely tracks financial market trends to identify opportunities and utilize them for the benefit of the entire Group.

#### Currency risk

In the operative business, the individual Group companies process their activities primarily in their respective local currencies. Therefore, the foreign exchange risks inherent in the operative activity of the Unternehmensgruppe Theo Müller are assessed as being relatively low. However, individual Group companies are exposed to foreign exchange risks associated with planned payments outside their respective functional currencies. The above relates primarily to milk purchases in Poland and the Czech Republic as well as the purchase of goods in the United Kingdom and capital payments in USD. The Unternehmensgruppe Theo Müller uses currency derivatives for hedging purposes to secure these payments for up to 18 months in advance. As a result of these hedging transactions the Unternehmensgruppe Theo Müller was not exposed to any significant currency risks in the operative area as of the balance sheet date.

Liquidity risk

One of the Unternehmensgruppe Theo Müller's most important goals is maintaining solvency at all times. Possible bottlenecks are made transparent in a monthly Group liquidity plan on an annual basis in good time and appropriate steps are taken. Liquidity requirements are covered by the commitment of sufficient credit lines.

Default risk

In keeping with the Treasury directives for the Unternehmensgruppe Theo Müller to minimize default risks, only banks that are regularly audited for creditworthiness and quality of the quotations are used as contract partners. The risk that a contractual partner will fail to meet their obligations is therefore minimal.

Legal risk

Legal risks are countered with appropriate directives, codes of conduct and training. Contact with the central legal department at the Unternehmensgruppe Theo Müller and the special reporting system are used to record current proceedings and any potential risks. For certain legal risks, customary insurance policies are concluded that are deemed to be appropriate. Provisions are recognized for litigation as far as it can be estimated that probable obligations will not or not be fully covered by the insurance policy and an adequate estimate of the potential damages can be made. Nonetheless, losses can result from litigation not covered by the insurance policies or the provisions.

At the time of the preparation of this report no risks were seen in this context that would threaten the Unternehmensgruppe Theo Müller's ability to continue as a going concern. The risk analysis shows neither individual risks nor the aggregate overall risk would sustainably impair the net assets, financial position and result of operations of the Unternehmensgruppe Theo Müller.

## 6. Report on post balance sheet date events

At the beginning of December 2019, the first cases of a previously unknown lung disease occurred in Wuhan / China, which can be traced back to the Sars-CoV-2 virus ("Coronavirus"). After coronavirus had in the meantime spread very quickly across numerous countries to Europe, the World Health Organization WHO declared a pandemic on 11 March 2020. A few days later, on 17 March 2020, the Luxembourg government declared a state of emergency for the Grand Duchy of Luxembourg. This decision, and the rigid measures and restrictions it entails, which were implemented in a similar form by many other European countries almost simultaneously, currently have far-reaching consequences for public and economic life throughout Europe. The common objective of all affected countries is to prevent further uncontrollable spread of the virus and to prevent national health care systems from being overburdened. In order to mitigate the economic impact of the pandemic, governments in Europe immediately began to adopt state aid packages in an unprecedented volume. Due to the enormous impairment of economic development by the pandemic, a significant decline in gross domestic product is to be expected in all affected countries, the amount of which is directly dependent on the duration of the restrictive measures and the effectiveness of government aid measures.

The Unternehmensgruppe Theo Müller S.e.c.s. has, based on the national and international recommendations for conduct issued by governments and authorities, responded immediately to the outbreak of the crisis with appropriate contingency plans to protect the health of its employees throughout the Group and ensure the economic viability and performance of the entire Group. As a food manufacturer, the Unternehmensgruppe Theo Müller is systemically relevant for a functioning community. As a result, the group of companies is not subject to any restrictions in its core business areas, but instead is able to register increased demand for the products manufactured. The further economic effects, which cannot be foreseen at present, depend on the future development of the corona pandemic and the timing of an emerging economic recovery.

There were no other significant changes in the economic environment and the situation in the industry between the balance sheet date and the preparation of the consolidated financial statements of the Group.

## **7. Report on expected developments**

### **7.1 Macroeconomic conditions and the economy**

#### **7.1.1 Outlook for the global economy**

In January 2020, the International Monetary Fund (IMF) was still expecting a moderate upturn in global economic growth in 2020, based on the assumption of higher growth momentum in many key emerging markets. Similarly, the economy in the eurozone and Germany in particular was expected to achieve higher year-on-year growth. Germany in particular should have benefited from a stabilisation of the global economy.

In view of the devastating social and economic consequences of the corona pandemic, the IMF, in its publication of 14 April 2020, now expects the worst recession in 100 years.

The IMF currently expects the global economy to shrink by -3.0% in 2020. In January, the IMF was still predicting global growth of +3.3%.

For the following year 2021, the IMF already expects catch-up effects that should lead to a significant economic recovery. The global economy is expected to grow by +5.8% in 2021 compared to 2020. However, the IMF points out that the forecasts are characterised by a high degree of uncertainty. Whether there will be an economic recovery and when it will start depends largely on whether the pandemic can be contained.

According to IMF estimates, the economy in the entire eurozone will shrink by -7.5% in 2020 compared to 2019. This means that the eurozone is affected much more severely by a recession than the USA (-6.1%) or the emerging markets (-1.0%).

According to the IMF's forecast, economic output in Germany is expected to decline by -7.0% and thus still develop slightly better than the eurozone as a whole. By contrast, the situation is significantly worse in the countries of the European Union that are affected particularly badly by the corona pandemic. For Italy and Spain, the IMF forecasts a decline of -9.1% and -8.0% respectively.

The forecast decline in economic output is also somewhat less pronounced for the UK. Here, the IMF expects economic output to decline by -6.5%. Economic growth of +4.0% is expected for 2021.

### 7.1.2. Industry outlook

The corona pandemic has massively shaken the European economies and has caused the consumer climate to collapse.

According to GfK surveys, the corona pandemic in February 2020 initially brought the food retail trade in Germany a jump in sales of +14% compared to the same month of the previous year. This was due in particular to the purchasing behaviour of consumers, who stocked up on large quantities of staple foods and other basic goods. This is a development that may continue for some time. Similarly, the decline in out-of-home consumption, as a result of the measures and restrictions imposed, led to a shift in consumption towards private households.

At present, it is not yet possible to foresee when and with what intensity an economic recovery will emerge. However, it is becoming clear that the economic slump is leading to increasing uncertainty among consumers. Rising unemployment and a high number of employees in short-time work are directly linked to income losses and are also leading to a sharp drop in income expectations. This development is leading to a decline in private consumption and, as can also already be seen, to an increase in the savings ratio. This means that the entire retail sector will face more difficult times. The food retail trade will be just as affected by this development in the medium and long term and will have to adjust to the economically uncertain situation of consumers.

However, these further economic effects of the corona pandemic cannot be sufficiently quantified at this time and therefore cannot be taken into account in the economic outlook. To this end, it will be necessary to wait and see how things develop and, initially, when the economy starts to recover.

## 7.2 Economic outlook

The Unternehmensgruppe Theo Müller is very well-positioned due to its strong market position and financial strength throughout all the existing business segments. Customer and consumer orientation is a top priority for the Group and is a prerequisite for successful development in a dynamic market environment with increasingly fierce competition. In the current corona crisis, the Unternehmensgruppe Theo Müller, as a producer of high-quality food, is also systemically relevant to a functioning community in its core business areas and can successfully demonstrate its efficiency.

The strategy of the Unternehmensgruppe Theo Müller is based on three pillars and, in addition to strengthening and expanding the core business, aims to open up new markets and thus new growth opportunities. The corporate strategy forms the basis for the further development of the Group. By consistently implementing its corporate strategy in the following financial years, the Unternehmensgruppe Theo Müller is laying the foundation for sustainable and profitable growth and will positively meet the ever-increasing challenges posed by the markets.

As the effects of the current corona pandemic cannot be adequately quantified at this point in time, the planned development of the company is set aside below. A large number of already concretely defined measures based on the corporate strategy are taken into account. Despite the great uncertainties regarding future economic development, both in Germany and England, as well as in all other countries in which the Unternehmensgruppe Theo Müller is active, it is considered very likely that the corona pandemic will not have a negative impact on the sales and earnings development of the Unternehmensgruppe Theo Müller.

In the Dairy segment, the Unternehmensgruppe Theo Müller is expecting a moderate increase in sales revenues with a significantly improved EBIT. A major contribution to this development is made, among other things, by the English fresh milk business, whose profitability has been significantly improved by the measures implemented in previous years. In addition, the previous year was burdened by high one-off special expenses for the restructuring of the fresh milk business, which will be significantly reduced in the 2020 financial year.

Moderate sales growth is also expected in the Deli segment. The sales revenues of the German Homann Group will develop more strongly than those of the Polish Lisner Group, which has been able to post consistently high sales and earnings growth in the past. EBIT for the segment will also improve significantly.

The services business segment, which is influenced by the development of the British CULINA Group, will continue to develop positively in the 2020 financial year and achieve slight sales growth. EBIT will develop slightly above average as a result of the successful integration, the companies acquired in recent years and the exploitation of synergy effects.

For the 2020 financial year, the Group therefore expects a moderate increase in sales revenues with a significantly higher EBIT.

In the subsequent financial years, the Unternehmensgruppe Theo Müller also projects a slight increase in sales revenues with a substantially higher increase in the operating result (EBIT) for the entire Group. The market and competitive situation in the future will be further strengthened by means of targeted acquisitions and additional profitable growth will be achieved in line with the corporate strategy.

Luxembourg, 12 May 2020

Unternehmensgruppe Theo Müller S.e.c.s.,

as represented by the corporate general partner, Unternehmensgruppe Theo Müller S.à r.l.,  
which, in turn, is represented by its managing directors

Werner Stegmüller

Marcus Almeling

**Consolidated Balance Sheet  
of Unternehmensgruppe Theo Müller S.e.c.s.  
as at December 31, 2019**

<b>Assets</b>		<b>Note</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
			T€	T€
<b>A. Non-current assets</b>			<b>2,838,142</b>	<b>2,354,665</b>
1.	Intangible assets	1	580,915	587,050
2.	Property, plant and equipment	3	1,688,124	1,560,917
3.	Rights of use	29	237,157	0
4.	Real estate held as investment property	4	22,880	23,346
5.	Investments accounted for at equity	5	671	540
6.	Financial assets	6 (30)	143,288	109,743
7.	Leasing receivables	29	1,292	0
8.	Other assets	7	4,007	2,044
9.	Deferred tax assets	26	159,808	71,025
<b>B. Current assets</b>			<b>1,348,731</b>	<b>1,335,552</b>
1.	Inventories	8	302,667	302,009
2.	Trade accounts receivable	9 (30) (31)	819,027	785,305
3.	Receivables from companies accounted for at equity	(30) (31)	206	295
4.	Other financial assets	10 (30)	25,896	18,272
5.	Current income tax receivables		11,582	9,069
6.	Other receivables	11 (30)	62,671	83,155
7.	Other assets	12 (30)	29,820	30,774
8.	Cash and cash equivalents	27 (30)	96,862	106,673
<b>C. Non-current assets held for sale</b>		13	<b>3,038</b>	<b>8,257</b>
<b>Total Assets</b>			<b>4,189,911</b>	<b>3,698,474</b>

The Notes are an integral part of the consolidated financial statements.



Equity & Liabilities		Note	12/31/2019	12/31/2018
			TE	TE
<b>A. Equity</b>		14	<b>2,154,617</b>	<b>2,040,616</b>
<b>Share in equity attributable to the shareholders of the parent company</b>				
I. Capital shares			1,201	1,201
II. Capital reserves			30,284	19,504
III. Revenue reserves			2,074,809	1,978,551
<b>Interests held by shareholders of the parent company</b>			<b>2,106,294</b>	<b>1,999,256</b>
<b>Non-controlling interests in equity</b>			<b>48,323</b>	<b>41,360</b>
<b>B. Non-current liabilities</b>			<b>839,725</b>	<b>556,356</b>
1. Pension provisions		15	68,581	55,263
2. Other provisions		16	16,119	8,242
3. Financial liabilities		17 (30)	416,385	407,067
4. Leasing liabilities		29 (30)	246,571	1,976
5. Other financial liabilities		17 (30)	422	870
6. Deferred tax liabilities		26	91,647	82,938
<b>C. Current liabilities</b>			<b>1,195,569</b>	<b>1,101,502</b>
1. Other provisions		16	47,625	44,596
2. Financial liabilities		17 (30)	269,103	235,597
3. Trade payables		30	451,146	405,688
4. Current income tax liabilities		19	16,525	8,733
5. Leasing liabilities		29 (30)	30,508	2,869
6. Other financial liabilities		17 (30)	1,854	7,007
7. Other liabilities		18 (30)	378,808	397,012
<b>Total liabilities</b>			<b>2,035,294</b>	<b>1,657,858</b>
<b>Total Equity and Liabilities</b>			<b>4,189,911</b>	<b>3,698,474</b>

The Notes are an integral part of the consolidated financial statements.

**Consolidated Income Statement  
of Unternehmensgruppe Theo Müller S.e.c.s.  
for the period from January 1 to December 31, 2019**

	Note	2019 T€	2018 T€
1. Sales revenues	20	5,702,444	5,595,531
2. Increase / decrease in the finished goods and work in progress inventory balances		4,259	-929
3. Other operating income	21	232,572	203,058
<b>Total aggregate output</b>		<b>5,939,275</b>	<b>5,797,660</b>
4. Cost of materials	22	-3,497,716	-3,501,931
<b>Gross profit</b>		<b>2,441,559</b>	<b>2,295,729</b>
5. Personnel expenses	23	-1,128,392	-1,054,818
6. Depreciation and amortization	1 (3)	-338,125	-204,813
7. Other operating expenses	24	-930,808	-900,336
<b>Total operating expenses</b>		<b>-5,895,041</b>	<b>-5,661,898</b>
<b>Operating result (earnings before interest and tax (EBIT))</b>		<b>44,234</b>	<b>135,762</b>
8. Interest income	30	1,904	947
9. Interest expense	30	-20,559	-16,192
10. Other financial result	25 (30)	39,066	9,817
11. Result from companies accounted for at equity	5	-19	166
<b>Financial result</b>		<b>20,392</b>	<b>-5,262</b>
12. Taxes on income	26	27,374	-32,320
<b>Result from continued operations</b>		<b>92,000</b>	<b>98,180</b>
13. Result from sold operations		—	104,556
<b>Consolidated net income for the year</b>	<b>14</b>	<b>92,000</b>	<b>202,736</b>
<u>Consolidated net income for the period attributable to shareholders of the parent company</u>	14	91,117	194,869
attributable to non-controlling interests	14	883	7,867

The Notes are an integral part of the consolidated financial statements.

**Consolidated Statement of Comprehensive Income  
of Unternehmensgruppe Theo Müller S.e.c.s.  
for the period from January 1 to December 31, 2019**

	Note	2019	2018
		T€	T€
<b>Consolidated net income for the year</b>		<b>92,000</b>	<b>202,736</b>
<b>Income and expenses with no effect on profit or loss</b>			
<b>Items that may be reclassified subsequently to profit or loss (recycling)</b>			
Changes from foreign currency translation	(14)	38,165	-5,290
Share of companies accounted for at equity in <i>other comprehensive income</i>	(14)	-205	0
Deferred taxes for amounts directly recognized in equity	(14)	0	0
<b>Items that will not be reclassified to profit or loss (non recycling)</b>			
Actuarial gains (+) / losses (-) from defined benefit plans	(15)	-13,129	-2,837
Deferred taxes for amounts directly recognized in equity	(14)	4,621	1,920
<b>= Income and expenses (other comprehensive income) with no effect on profit or loss after income taxes</b>	(14)	<b>29,452</b>	<b>-6,198</b>
<b>= Total comprehensive income</b>		<b>121,452</b>	<b>196,538</b>
Total comprehensive income attributable to non-controlling interests		17	7,766
<b>Total comprehensive income attributable to shareholders of the parent company</b>		<b>121,435</b>	<b>188,772</b>
thereof attributable to continued operations		121,435	85,717
thereof attributable to sold operations		--	103,055

The Notes are an integral part of the consolidated financial statements.

## Consolidated Cash Flow Statement of Unternehmensgruppe Theo Müller S.e.c.s. for the period from January 1 to December 31, 2019

	Notes	12/31/2019	12/31/2018
	Note	T€	T€
1. Operating result (earnings before interest and tax (EBIT))		44,234	135,762
2. Interest received	30	1,365	743
3. Interest paid	30	-13,059	-14,841
4. Other payments under other financial result		1,869	200
5. Amortization/depreciation/write-ups on non-current assets		335,878	179,693
6. Change in non-current provisions		8,067	-22,299
7. Other non-cash income and expenses		-590	-779
8. Gain (-) / loss (+) from disposal of non-current assets		-3,290	785
9. Income taxes paid	26	-38,608	-39,631
<b>10. Gross cash flow</b>		<b>335,866</b>	<b>239,633</b>
11. Increase in inventories	8	-423	-15,499
12. Change in trade accounts receivable	9 (30)	-33,705	12,716
13. Change in trade payables	30	45,364	-9,994
14. Change in other working capital		10,830	-32,234
<b>15. Cash flow from operating activities (net cash flow)</b>		<b>357,932</b>	<b>194,622</b>
16. Proceeds from the disposal of property, plant and equipment and intangible assets		12,822	10,619
17. Payments for investments in property, plant and equipment (excluding leasing)		-338,654	-378,010
18. Proceeds from government grants		270	0
19. Payments for investments in intangible assets		-5,927	-8,653
20. Proceeds from the disposal of financial assets		17,643	39,064
21. Payments for investments in financial assets		-41,026	-44,498
22. Payments (-) / proceeds (+) for capital changes in companies accounted for at equity		-150	250
23. Payments for the acquisition of consolidated companies		-5,968	-30,191
24. Proceeds from the disposal of consolidated companies		0	231,622
25. Payments for loans granted		-746	-872
26. Proceeds from loans granted		556	2,284
<b>27. Cash flow for investing activities</b>		<b>-361,180</b>	<b>-178,403</b>
28. Repayments of financial loans		-148,941	-9,414
29. Proceeds from borrowing of financial loans		86,000	60,000
30. Payments to non-controlling interests		-1,266	-406
31. Payments to / withdrawals by partners		-11,507	-6,271
32. Repayment of leasing liabilities		-69,776	-6,905
33. Payments (-) / proceeds (+) for the acquisition / sale of shares, without changing the control relationship		19,856	-18
<b>34. Cash flow for financing activities</b>		<b>-125,634</b>	<b>36,986</b>
<b>35. Movement in cash and cash equivalents</b>		<b>-128,882</b>	<b>53,205</b>
36. Currency-related changes in cash and cash equivalents		48,426	-7,732
<b>37. Cash and cash equivalents at the beginning of the period</b>	<b>27</b>	<b>-19,091</b>	<b>-64,564</b>
<b>38. Cash and cash equivalents at the end of the period</b>	<b>27</b>	<b>-99,547</b>	<b>-19,091</b>

# **Consolidated Statement of Changes in Equity of Unternehmensgruppe Theo Müller S.e.c.s. for the period from January 1 to December 31, 2019**

In TC	Capital share	Capital reserves	Revenue reserves								Total		
2019	Limited partner capital	Legal reserves	Other revenue reserves	Actual gains and losses	Available-for-sale financial assets	Currency reserves	CPEC	Profit / loss carried forward	Group net result	Total revenue reserves	Interests held by shareholders of the parent company	Share in other hands	Equity
January 1	1,201	19,504	810,490	-15,886	0	-146,604	2,797,694	-1,662,165	194,869	1,978,551	1,999,256	41,360	2,040,616
Change in accounting/valuation method	0	0	-12,722	0	0	0	0	0	0	-12,722	-12,722	0	-12,722
January 1 - restated	1,201	19,504	797,768	-15,886	0	-146,604	2,797,694	-1,662,165	194,869	1,965,830	1,986,534	41,360	2,027,894
Profit/loss for 2018 to new account	0	0	0	0	0	0	0	194,869	-194,869	0	0	0	0
Withdrawals by partners	0	0	-41,507	0	0	0	0	0	0	-41,507	-41,507	0	-41,507
Partner contributions	0	0	28,188	0	0	0	87,457	0	0	115,645	115,645	0	115,645
Additions to scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0	0
Disposals to scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to / withdrawals from revenue reserves	0	10,783	2,985	0	0	0	0	-13,768	0	-10,783	0	0	0
Change in ownership share in subsidiaries without loss in control	0	-3	6	432	0	0	0	11,210	0	11,646	11,644	8,212	19,856
Other changes with no effect on profit/loss (OCI)	0	0	0	6,025	0	27,212	0	0	0	30,318	30,318	-866	29,452
Group net result	0	0	0	0	0	0	0	0	91,117	91,117	91,117	883	92,000
Profit/loss appropriation	0	0	0	0	0	0	0	-87,457	0	-87,457	-87,457	-1,266	-88,723
December 31	1,201	30,284	787,440	-22,149	0	-109,392	2,885,106	-1,557,312	91,117	2,074,809	2,106,294	48,323	2,154,617

(refer to Note [14])

The Notes are an integral part of the consolidated financial statements.

In T€	Capital share	Capital reserves	Revenue reserves								Total		
2018	Limited partner capital	Legal reserves	Other revenue reserves	Actual gains and losses	Available-for-sale financial assets	Currency reserves	CPEC	Profit / loss carried forward	Group net result	Total revenue reserves	Interests held by shareholders of the parent company	Share in other hands	Equity
January 1	1,201	19,499	781,568	-25,176	19,074	-141,164	2,849,228	-1,735,477	122,970	1,871,021	1,891,721	26,535	1,918,256
Change in accounting/valuation method	0	0	17,081	0	-19,074	0	0	0	0	-1,993	-1,993	-17	-2,010
January 1 - restated	1,201	19,499	798,649	-25,176	0	-141,164	2,849,228	-1,735,477	122,970	1,869,028	1,889,728	26,518	1,916,246
Profit/loss for 2017 to new account	0	0	0	0	0	0	0	122,970	-122,970	0	0	0	0
Withdrawals by contributions	0	0	-36,271	0	0	0	-69,502	0	0	-105,773	-105,773	0	-105,773
Partner contributions	0	0	27,134	0	0	0	17,924	0	0	45,058	45,058	0	45,058
Additions to scope of consolidation	0	0	0	0	0	0	0	0	0	0	0	5,593	5,593
Disposals to scope of consolidation	0	0	0	10,321	0	-174	0	-10,321	0	-174	-174	1,478	1,302
Transfers to / withdrawals from revenue reserves	0	5	20,978	0	0	0	0	-20,983	0	-5	0	0	0
Change in ownership share in subsidiaries without loss in control	0	0	0	0	0	0	0	-431	0	-431	-431	413	-18
Other changes with no effect on profit/loss (OCI)	0	0	0	-831	0	-5,266	0	0	0	-6,097	-6,097	-101	-6,198
Group net result	0	0	0	0	0	0	0	0	194,869	194,869	194,869	7,867	202,736
Profit/loss appropriation	0	0	0	0	0	0	0	-17,924	0	-17,924	-17,924	-406	-18,330
December 31	1,201	19,504	810,490	-15,886	0	-146,604	2,797,649	-1,562,165	194,869	1,978,551	1,999,256	41,360	2,040,616

(refer to Note [14])

The Notes are an integral part of the consolidated financial statements.

## Notes to the Consolidated Financial Statements of Unternehmensgruppe Theo Müller S.e.c.s. for the financial year 2019

### General Comments

#### List of Abbreviations

3-M-Euribor	Euro InterBank Offered Rate for a term of 3 months
AC	Amortized cost
AfS	Available-for-Sale
AG	Aktiengesellschaft (German Stock Corporation)
AktG	Aktiengesetz (German Stock Corporation Act)
a.s.	Akciová společnost (stock corporation according to the Commercial Code in the Czech Republic)
a.T.W.	am Teutoburger Wald
AUD	Australian Dollar
B.V.	Besloten vennootschap met beperkte aansprakelijkheid (Dutch company with limited liability)
BVG	Berufliches Vorsorge Gesetz (Occupational Pensions Act in Switzerland)
ca.	circa (approximately)
CGU	Cash-generating unit
CHF	Swiss Franc
CPEC	Convertible Preferred Equity Certificate
ct/kg	cent per kilogram
CZK	Czech Koruna (Czech Crown)
CY	current year
DESTATIS	Statistisches Bundesamt (Federal Office of Statistics)
Dr.	Doctor
e.g.	exempli gratia (for example)
E-Banking	Electronic banking
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECL	Expected credit loss
EDV-Software	Software for electronic data processing
EONIA	Euro OverNight Index Average
et seq.	et sequentia (and the following)
EU	European Union
FLaC	Financial Liabilities at amortized Cost
FVO	Fair Value Option
FVOCI	Fair Value through Other Comprehensive Income
FVtPL	Fair Value through Profit or Loss
FX-Swaps	Exchange rate swaps
GBP	British Pound Sterling
GewSt	Gewerbsteuer (trade taxes)
GmbH	Gesellschaft mit beschränkter Haftung nach deutschem Recht (German limited liability company)
GmbH & Co. KG	Gesellschaft mit beschränkter Haftung & Compagnie Kommanditgesellschaft (German limited partnership with general partner being a limited liability company)
GmbH & Co. KGaA	Gesellschaft mit beschränkter Haftung & Compagnie Kommanditgesellschaft auf Aktien (German partnership limited by

	shares)
GRW	Grundsätze und Richtlinien für Wettbewerbe auf den Gebieten der Raumplanung, des Städtebaus und des Bauwesens (principles and guidelines for competition in the areas of spatial planning, urban development and construction)
GT	Generationentafel (life expectancy table)
Heubeck 2005G	Heubeck Mortality Tables 2005
Heubeck 2018G	Heubeck Life Expectancy Tables 2018G
HfT	Held-for-Trading
HGB	Handelsgesetzbuch (German Commercial Code)
HKD	Hong Kong Dollar
HPK	Hamburger Pensionskasse von 1905 (Hamburger Pension Fund from 1905)
HtM	Held-to-Maturity
HUF	Hungarian Forint
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretations Committee
ILS	Israeli Shekel
ImmoWertV	Immobilienwertermittlungsverordnung (Real Estate Valuation Decree)
Inc.	Incorporated
InvZulG	Investitionszulagengesetz (Investment Subsidies Act)
IT-Tools	Information technology tools
IMF	International Monetary Fund
Kft.	Korlátolt Felelősségű Társaság (Hungarian limited liability company)
KG	Kommanditgesellschaft (German limited partnership)
k.s.	Komanditní společnost (limited partnership in the Czech Republic)
KWK	Kraft-Wärme-Kopplung (cogeneration plant)
LaR	Loans and Receivables
LEH	Lebensmitteleinzelhandel (food retailer)
LIBOR	London Interbank Offered Rate
LKW	Lastkraftwagen (truck)
LLC	Limited Liability Company under British/ US law
LLP	Limited Liability Partnership under British/ US law
Ltd.	Limited (a company form)
mbH	mit beschränkter Haftung (with limited liability)
m	millions
n.a.	not applicable
neg.	negative
NOK	Norwegian Krone
No.	Number
OCI	other comprehensive income
PKW	Personenkraftwagen (passenger vehicle)
PLN	Polish Zloty
pos.	positive
ppl.	pence per liter
PY	prior year
R.C.S.	Registre de Commerce et des Sociétés Luxembourg (commercial register in Luxembourg)
RT	Realtime
S.A.	Société anonyme (stock corporation in Luxembourg)
S.à r.l.	Société à responsabilité limitée (limited liability company in Luxembourg)



SCA	Société en commandite par actions (partnership limited by shares in Luxembourg)
S.e.c.s.	Société en commandite simple (limited partnership in Luxembourg)
S.p.r.l.	Société Privée à Responsabilité Limitée (Belgian partnership with limited liability)
Sp. z o.o.	Spółka z ograniczoną odpowiedzialnością (Polish limited liability company)
Sp. z o.o. sp.k.	Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (Polish limited partnership with the general partner being a legal person)
s.r.o.	Společnost s ručením omezeným (company with limited liability in the Czech Republic)
T€	Thousand Euros
UK	United Kingdom
US	United States
USA	United States of America
USD	United States Dollar
USPP	US Private Placement
UTM	Unternehmensgruppe Theo Müller
VVaG	Versicherungsverein auf Gegenseitigkeit (mutual insurance)
3-M-Euribor	Euro InterBank Offered Rate for a term of 3 months
AC	Amortized cost
AfS	Available-for-Sale
AG	Aktiengesellschaft (German Stock Corporation)
AktG	Aktiengesetz (German Stock Corporation Act)
a.s.	Akciová společnost (stock corporation according to the Commercial Code in the Czech Republic)
a.T.W.	am Teutoburger Wald
AUD	Australian Dollar
B.V.	Besloten vennootschap met beperkte aansprakelijkheid (Dutch company with limited liability)

## **Group – General basis of presentation**

The consolidated financial statements of Unternehmensgruppe Theo Müller S.e.c.s. (hereinafter referred to as "Unternehmensgruppe Theo Müller" or "Group") for the financial year ending 2019 were released for publication by management on May 12, 2020. The period for recording adjusting events after the balance sheet date ends as of that date.

The controlling parent company is Unternehmensgruppe Theo Müller S.e.c.s., (founded on September 14, 2011), which is registered under B 163670 at the Registre de Commerce et des Sociétés Luxembourg (on September 30, 2011).

The Company's registered head office is at 2b, rue Albert Borschette in L-1246 Luxembourg.

The annual financial statements of companies included in the consolidated financial statements have been prepared as of the reporting date of Unternehmensgruppe Theo Müller S.e.c.s. The financial year is the calendar year.

The functional currency of the Group is the euro. All amounts are stated in thousands of euro (T€) unless otherwise stated. All figures are rounded to the nearest T€, insofar some of the figures may not add precisely to the amount stated.

The income statement has been prepared using the nature of expense method.

The business activities of the parent company, Unternehmensgruppe Theo Müller S.e.c.s., primarily concern activities that are directly or indirectly associated with the formation, acquisition and holding of Luxembourg-based and / or foreign companies, the rendering of central services to the Group companies as well as the administration, management, control and realization of these equity investments. In addition, it may use its funds to invest in the formation, acquisition, development and control of companies of any kind and to acquire and further develop marketable securities, intellectual property and real estate through contributions, subscription or by way of a purchase option.

The Group's business activities are classified into the following business segments:

### **Dairy**

The dairy products segment of the Unternehmensgruppe Theo Müller produces and distributes fresh dairy products as trademarked and private label products, dairy base products and cheese as well certain milk and whey derivatives for industrial processing. Distribution mainly takes place in Europe. Own distribution units are located in Germany, the United Kingdom, the Netherlands, Italy, the Czech Republic, Poland and Slovakia. The business segment has production facilities in Germany, the United Kingdom and the Czech Republic.

### **Deli**

The deli segment includes the production and distribution of chilled salads, dressings and sauces, convenience foods and fish specialities. Furthermore, various products are produced as commissioned by large food manufacturers as well as for food wholesalers and industrial

operations. The focal point of the operations lies in Germany and Poland, where the production facilities are also located.

#### Services

In addition to the companies that process fruits and manufacture packaging primarily for their own purposes, the services business segment also has its own logistics companies for the rendering of transport and logistics services within and outside of the Unternehmensgruppe Theo Müller. In this respect, the English CULINA group is of particular importance, because it is a leading company in the United Kingdom and Ireland in the area of food logistics and generates a high share of sales from business with third-party customers.

In addition, there are service companies for the rendering of intragroup services in the areas of media and marketing, strategic purchasing, financing, corporate finance and private equity as well as plant facilities for the repair and maintenance of vehicles. The companies in the services segment are located in Luxembourg, Germany, the United Kingdom, Belgium, Hungary, Poland and Switzerland.

The following subsidiaries included in the consolidated financial statements of Unternehmensgruppe Theo Müller as the ultimate parent company make use of the exemption provisions of § 264b and § 264 (3) HGB for the 2019 financial year.

**In terms of Section 264b HGB:**

- Käserei Loose GmbH & Co. KG, Wachau / Germany
- Molkerei Alois Müller GmbH & Co. KG, Fischach / Germany
- Molkerei Weihestephan GmbH & Co. KG, Freising / Germany
- Sachsenmilch Molkenderivate GmbH & Co. KG, Wachau / Germany

**In terms of Section 264 Abs. 3 HGB:**

- Alois Müller Naturfarm Handels-Verwaltungs GmbH, Fischach / Germany
- August Loose Verwaltungs-GmbH, Wachau / Germany
- Culina Logistics GmbH, Fischach / Germany
- Emhage Transportgesellschaft mbH, Dissen / Germany
- Fahrzeugtechnik Aretsried GmbH, Fischach / Germany
- Gloria Feinkost GmbH, Dissen / Germany
- Hamker Vertriebsgesellschaft mbH, Dissen / Germany
- HK Food GmbH, Fischach / Germany
- Homann Chilled Food GmbH, Dissen / Germany
- HOMANN Feinkost GmbH, Dissen a.T.W. / Germany
- HOMANN Service GmbH, Düsseldorf / Germany
- Käserei Rusack GmbH, Leppersdorf / Germany
- Alois Müller Beteiligungs- und Verwaltungs GmbH, Fischach, OT Aretsried / Germany
- Molkerei Alois Müller Gesellschaft mit beschränkter Haftung, Fischach / Germany
- Müller Iberica GmbH, Wachau / Germany
- Müller Sachsen GmbH, Wachau / Germany
- Müller Service GmbH, Fischach / Germany
- Nadler Feinkost GmbH, Bottrop / Germany
- Optipack GmbH, Wachau / Germany
- Pfennigs Feinkost GmbH, Berlin / Germany
- Sachsen Frischprodukte Komplementär GmbH, Wachau / Germany
- Sachsenmilch Anlagen Holding GmbH, Wachau / Germany
- Sachsenmilch Investitions-GmbH, Wachau / Germany
- Sachsenmilch Leppersdorf GmbH, Wachau / Germany
- Sachsenmilch Vertriebs GmbH, Wachau / Germany
- Salat- und Mayonnaisenfabrik Hermann Ofterdinger GmbH, Dissen / Germany
- SAM Molkerei GmbH, Wachau / Germany
- Sachsenmilch Molke GmbH, Wachau / Germany
- T.M.A. Handelsgesellschaft mbH, Wachau / Germany
- Thüringer Fischfeinkost Gebrüder Hopf GmbH, Floh-Seligenthal / Germany
- TMI Dairy GmbH, Wachau / Germany
- Unternehmensgruppe Theo Müller GmbH & Co. KGaA, Fischach / Germany
- Unternehmensgruppe Theo Müller Komplementär GmbH, Fischach / Germany
- Voss Feinkost und Lebensmittel GmbH, Dissen / Germany
- Weihestephan Holding Komplementär GmbH, Freising / Germany
- WSF Fischfeinkost GmbH, Dissen aTW / Germany

### **Parent Company Guarantee**

Due to the issuance of a parent company guarantee, the accompanying consolidated financial statements exempt the entities stated below from the duty to have their individual financial statements audited. The working language continues to be English.

*"Unternehmensgruppe Theo Müller S.e.c.s. Luxembourg has provided statutory guarantees to Robert Wiseman & Sons Limited, TM UK Production Limited, Muller Dairy (U.K.) Limited, Muller Investments Limited, Müller Wiseman Dairies Limited, TM Corporate Holdings UK Limited, Culina Ambient Holdings Limited, Culina Ambient Limited, Telford Transport Ltd, Great Bear Holdings Limited, Warrens Warehousing Group Limited and Robsons of Spalding Limited in accordance with section 479A of the Companies Act 2006. The guarantee covers all outstanding debts and liabilities of those companies as at December 31, 2019 and applies until such time as all such debts and liabilities are satisfied in full. The directors are at present not aware of any material claims arising under the guarantees."*

<b>Company</b>	<b>Registered number</b>	<b>Registered office</b>
Robert Wiseman & Sons Limited	SC087376	159 Glasgow Road, East Kilbride, Glasgow G74 4PA
TM UK Production Ltd.	07710777	Tern Valley Business Park, Shrewsbury Road, Market Drayton, Shropshire TF9 3SQ
Muller Dairy (U.K.) Limited	02092691	Shrewsbury Road, Market Drayton, Shropshire TF9 3SQ
Muller Investments Limited	07666062	Shrewsbury Road, Market Drayton, Shropshire TF9 3SQ
Müller Wiseman Dairies Limited	SC146494	159 Glasgow Road, East Kilbride, Glasgow G74 4PA
TM Corporate Holdings UK Limited	09872321	Tern Valley Business Park, Shrewsbury Road, Market Drayton, Shropshire TF9 3SQ
Culina Ambient Holdings Limited	03342066	Culina Group Limited, Tern Valley Business Park, Market Drayton, Shropshire, TF9 3SQ
Culina Ambient Limited	01974240	Culina Group Limited, Culina Logistics Limited, Tern Valley Business Park, Market Drayton, Shropshire, TF9 3SQ
Telford Transport Ltd	06786612	Building 2 Brockton Bu Pk, Halesfield 10, Telford, Shropshire, TF7 4QP
Great Bear Holdings Limited	07006371	Stellar House Barbour Square, Field Lane, Tattenhall, Chester, CH3 9RF
Warrens Warehousing Group Limited	07071643	Irene House Ground Floor, Maidstone Road, Sidcup, Kent, England, DA14 5AE
Robsons of Spalding Limited	03597825	C/O Culina Group Limited, Tern Valley Business Park, Market Drayton, England, TF9 3SQ

**IFRS Compliance Statement**

The consolidated financial statements of Unternehmensgruppe Theo Müller S.e.c.s. have been prepared in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) valid as of the reporting date, taking into account the interpretations of the International Financial Reporting Interpretations Committee (IFRIC IC), as to be applied in the European Union.

**Going Concern**

The consolidated financial statements of Unternehmensgruppe Theo Müller S.e.c.s. have been prepared under the going concern assumption. The Unternehmensgruppe Theo Müller S.e.c.s. generated consolidated earnings after taxes attributable to the parent company of T€ 91,117 as of December 31, 2019. Current assets exceeded current liabilities by T€ 153,162. In the opinion of management, the *US private placements* reported under non-current and current liabilities will be repaid according to plan. At present, there are no indications that the Company's or the Group's ability to continue as a going concern is at risk.

### **New and amended Standards and Interpretations – mandatory adoption as of January 1, 2019**

The Unternehmensgruppe Theo Müller adopted the following Standards and Interpretations or amendments to Standards and Interpretations of the IASB for the first-time in the 2019 financial year:

<b>Standard</b>	<b>Designation</b>
IFRS 16	Leases
IFRS 9	Amendments to IFRS 9: Prepayment Features with Negative Compensation
IAS 19	Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement
IAS 28	Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
IFRIC 23	Uncertainties over Income Tax Treatments
Miscellaneous	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The Group applied IFRS 16 for the first time as of 1 January 2019. In addition, a number of other standards had to be applied for the first time as of January 1, 2019, but these do not have a material effect on the consolidated financial statements.

The Group applied IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method, according to which the cumulative effect from the first-time application as of 1 January 2019 is recognized directly in revenue reserves. Consequently, the comparative information for 2018 has not been restated. Furthermore, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

As a lessee, the Group leases many assets, in particular the vehicle fleet, production facilities, depots, tractor units and semi-trailers. The Group previously classified these leases as operating leases or finance leases, depending on whether all the risks and opportunities associated with ownership of the underlying asset were substantially transferred to the Group.

With the transition to IFRS 16, payment obligations from previous operating leases (IAS 17) are discounted at the corresponding marginal borrowing rate as of 1 January 2019 and recognized as a leasing liability at the present value of the outstanding lease payments. With some exceptions, the related right of use is recognized at the amount of the leasing liability, adjusted for the amounts for lease payments made or accrued in advance. Regarding individual property lease agreements, the right to use the leased asset is recognized at the date of first-time adoption as if IFRS 16 had already been adopted from the time the property had been used. Previous finance leases were recognized as rights of use and leasing liabilities on January 1, 2019 at their carrying amounts as of December 31, 2018.

In addition, significant options and relief options were exercised as follows:

- An impairment test is not performed. Instead, the right of use is reduced by the amount recognized as a provision for onerous leases as of December 31, 2018 at the date of first-time adoption for reasons of simplification.
- Leases that end at the latest as of December 31, 2019 are accounted for as current leases regardless of the original lease term. An exception to this is for a vehicle fleet, which is reported in the balance sheet as a lease at the date of first-time adoption irrespective of the residual lease term.
- For leases whose underlying asset is of low value, the lease payments to be made are generally recognized in the balance sheet as current expenses within other overhead costs.
- The initial direct costs at the date of the first-time adoption are not taken into account in measuring the right of use.
- Rights of use and leasing liabilities are shown separately in the balance sheet.
- Contracts that contain non-lease components in addition to lease components are separated as a rule. Only lease components are shown as a lease relationship. Non-lease payments are recorded as expenses. In rare cases, they may be recorded together if separation is not possible. This mainly concerns service components of forklift trucks.
- Leases for intangible assets do not fall within the scope of IFRS 16, but within the scope of IAS 38.
- When determining the lease term, better knowledge (so-called *hindsight*) obtained subsequently is partly taken into account if this leads to a better estimate in exercising the extension or cancellation options.
- The regulations for so-called *grandfathering* is not utilized. Therefore, IFRS 16 will be applied to all existing contracts that fall within the scope of the new Standard on January 1, 2019.



As part of the transition to IFRS 16, rights to use leased assets and additional leasing liabilities were recognized for the first time as of January 1, 2019 and the difference was recognized in revenue reserves. The effects of the transition are summarized below.

In T€	January 1, 2019
Rights of use – Property, plant and equipment	267,471
Deferred tax assets	16,906
<i>thereof not affecting profit and loss</i>	2,669
Leasing liabilities	283,062
Deferred tax liabilities	14,237
Revenue reserves	-15,591

The interest rate used to value the rights of use and leasing liabilities, unless implicit in the lease, is the marginal borrowing rate.

The lessee's weighted average marginal borrowing rate applied to the leasing liabilities as of January 1, 2019, is 2.5%.

Based on the operating lease obligations as of December 31, 2018, the following reconciliation to the opening balance sheet value of the leasing liabilities as of January 1, 2019 was made:

In T€	January 1, 2019
Obligations from operating leases as of December 31, 2018, as disclosed in the consolidated financial statements in accordance with IAS 17	301,601
Discounted at the marginal borrowing rate as of January 1, 2019	283,062
Liabilities from finance leases as of December 31, 2018	4,845
Leasing liabilities as of January 1, 2019	287,907

### **Published Standards, Interpretations and Amendments not yet applicable**

New Standards and Interpretations not yet applicable as of December 31, 2019 and to be first implemented only at the date of mandatory adoption are as follows:

<b>Standard</b>	<b>Designation</b>	<b>Application mandatory as of*</b>
<b>Standards and Interpretations adopted under</b>		
		<b>EU Law</b>
IAS 1, IAS 8	Amendments to IAS 1: Definition of Material	January 1, 2020
IFRS Framework	Updating of cross-references to the newly revised framework in the relevant Standards and Interpretations	January 1, 2020
IFRS 9, IAS 39, IFRS 7	Amendment to IFRS 9, IAS 39, IFRS 7: Reform of reference interest rates	January 1, 2020
<b>Standards and Interpretations not yet adopted under EU Law</b>		
		<b>Time scope</b>
IFRS 3	Amendments to IFRS 3: Definition of a Business	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021
IAS 1	Amendment to IAS 1: Classification of liabilities as current or non-current	January 1, 2021

\* For financial reporting periods beginning on or after this date

The Group is analysing the effects of the above-mentioned Standards and Interpretations and will implement them in the financial year in which their application is mandatory. At present, the Group does not expect any material effects from the Standards and Interpretations presented above.

There are no other Standards and Interpretations which are not yet mandatory and which would have had a significant impact on the Group.

## Basis of Preparation of the IFRS Consolidated Financial Statements

### Scope of consolidation

In addition to Unternehmensgruppe Theo Müller S.e.c.s. as the parent company, the following subsidiaries, over which Unternehmensgruppe Theo Müller S.e.c.s. exercises a direct or indirect controlling influence on the business and financial policies, were included in consolidation as of December 31, 2019. Subsidiaries are fully consolidated as of the date when control can be exercised for the first time. Full consolidation may be dispensed with if the company is of minor importance to the net assets, financial position and result of operations of the Group. Inclusion in the consolidated financial statements ends as soon as the parent company ceases to exercise control.

The shareholding in Weihenstephan Holding Komplementär GmbH, Freising / Germany, increased from 25.10% to 100.00% in 2019 financial year. In the 2018 financial year, the company was fully consolidated on the basis of provisions in the articles of association.

	Fully consolidated companies	Shares held by	Percentage of shares held (%) in 2019	Percentage of shares held (%) in 2018
1.	Unternehmensgruppe Theo Müller S.e.c.s., Luxembourg		100.00	100.00
2.	UTM Luxemburg SCA, Luxembourg	1. / 51.	100.00	100.00
3.	UTM Belgium Finance S.p.r.l., Arlon / Belgium	2.	100.00	100.00
4.	Mueller Asia Ltd., Hong Kong / China	3.	100.00	100.00
5.	Molkerei Alois Müller Komplementär GmbH, Mödling / Austria	3.	100.00	100.00
6.	Unternehmensgruppe Theo Müller Komplementär GmbH, Fischach / Germany	3.	100.00	100.00
7.	Unternehmensgruppe Theo Müller GmbH & Co. KG, Fischach / Germany	3.	100.00	100.00
8.	Optipack GmbH, Wachau / Germany	7.	100.00	100.00
9.	Culina Logistics GmbH, Fischach / Germany	7.	100.00	100.00
10.	Fahrzeugtechnik Aretsried GmbH, Fischach / Germany	7.	100.00	100.00
11.	Alois Müller Naturfarm Handels-Verwaltungs GmbH, Fischach / Germany	7.	100.00	100.00
12.	Alois Müller Beteiligungs- und Verwaltungs GmbH (formerly: Molkerei Alois Müller Komplementär GmbH), Fischach, OT Aretsried / Germany	7.	100.00	100.00
13.	HOMANN Service GmbH, Düsseldorf / Germany	7.	100.00	100.00
14.	Hamker Vertriebstechnik GmbH, Dissen / Germany	14.	100.00	100.00
15.	Hamker Vertriebsgesellschaft mbH, Dissen / Germany	14.	100.00	100.00
16.	Thüringer Fischfeinkost Gebrüder Hopf GmbH, Floh-Seligenthal / Germany	14.	100.00	100.00
17.	Pfennigs Feinkost GmbH, Berlin / Germany	14.	100.00	100.00

18.	Nadler Feinkost GmbH, Bottrop / Germany	14.	100.00	100.00
19.	WSF Fischfeinkost GmbH, Dissen aTW / Germany	14.	100.00	100.00
20.	<b>Voss Feinkost und Lebensmittel GmbH, Dissen / Germany</b>	<b>14.</b>	<b>100.00</b>	<b>100.00</b>
21.	Gloria Feinkost GmbH, Dissen / Germany	20.	100.00	100.00
22.	Salat- und Mayonnaisenfabrik Hermann Ofterdinger GmbH, Dissen / Germany	20.	100.00	100.00
23.	PepperPark GmbH, Weyhe / Germany	14.	100.00	—
24.	<b>Molkerei Alois Müller GmbH &amp; Co. KG, Fischach / Germany</b>	<b>5 / 7</b>	<b>100.00</b>	<b>100.00</b>
25.	<b>Sachsenmilch Anlagen Holding GmbH, Wachau / Germany</b>	<b>24. / 51.</b>	<b>100.00</b>	<b>100.00</b>
26.	Sachsenmilch Investitions-GmbH, Wachau / Germany	24.	100.00	100.00
27.	<b>Weihenstephan Holding Komplementär GmbH, Freising / Germany</b>	<b>24.</b>	<b>100.00</b>	<b>25.10</b>
28.	Molkerei Weihenstephan GmbH & Co. KG, Freising / Germany	24. / 27.	100.00	100.00
29.	August Loose Verwaltungs-GmbH, Wachau / Germany	24.	100.00	100.00
30.	Müller Iberica GmbH, Wachau / Germany	24.	100.00	100.00
31.	Sachsen Frischprodukte Komplementär GmbH, Wachau / Germany	24.	100.00	100.00
32.	<b>Käserei Loose GmbH &amp; Co. KG, Wachau / Germany</b>	<b>24. / 29. / 30.</b>	<b>100.00</b>	<b>100.00</b>
33.	TMI Dairy GmbH, Wachau / Germany	24.	100.00	100.00
34.	Molkerei Alois Müller Gesellschaft mit beschränkter Haftung, Fischach / Germany	24.	100.00	100.00
35.	<b>Müller Dairy CR/SR s.r.o., Prague / Czech Republic</b>	<b>24.</b>	<b>100.00</b>	<b>100.00</b>
36.	<b>Müller Dairy Polska Sp. z o.o., Warsaw / Poland</b>	<b>24.</b>	<b>100.00</b>	<b>100.00</b>
37.	<b>Müller Sachsen GmbH, Wachau / Germany</b>	<b>24.</b>	<b>100.00</b>	<b>100.00</b>
38.	T.M.A. Handelsgesellschaft mbH, Wachau / Germany	24.	100.00	100.00
39.	<b>Sachsenmilch Leppersdorf GmbH, Wachau / Germany</b>	<b>25 / 27</b>	<b>100.00</b>	<b>100.00</b>
40.	Sachsenmilch Vertriebs GmbH, Wachau / Germany	39.	100.00	100.00
41.	SAM Molkerei GmbH, Wachau / Germany	39.	100.00	100.00
42.	Sachsenmilch Molke GmbH, Wachau / Germany	39.	100.00	100.00
43.	Sachsenmilch Molkenderivate GmbH & Co. KG, Wachau / Germany	39. / 42.	100.00	100.00
44.	Sachsenmilch Aktiengesellschaft, Leppersdorf / Germany	25. / 87.	97.81	91.23
45.	Käserei Rusack GmbH, Leppersdorf / Germany	32.	100.00	100.00
46.	Mlekarna Pragolaktos a.s., Prague / Czech Republic	39.	100.00	100.00
47.	Müller CR/SR k.s., Prague / Czech Republic	35. / 39.	100.00	100.00
48.	Müller Dairy Polska Sp. z o.o. sp.k., Poznan / Poland	36. / 39.	100.00	100.00

49.	UTM Finance S.à r.l., Luxembourg	1.	100.00	100.00
50.	UTM Hungary Finance Kft., Budapest / Hungary	49.	100.00	100.00
51.	UTM Dairy Finance S.à r.l., Luxembourg	1	100.00	100.00
52.	UTM Dairy Holdings UK Ltd., Market Drayton / England	51	100.00	100.00
53.	Muller Service Ltd., Market Drayton / England	52.	100.00	100.00
54.	Müller Service GmbH, Fischach / Germany	53.	100.00	100.00
55.	TM UK Production Ltd., Market Drayton / England	52.	100.00	100.00
56.	Muller Service Ltd., Market Drayton / England	55.	100.00	100.00
57.	Muller Dairy (U.K.) Ltd., Market Drayton / England	52.	100.00	100.00
58.	TM Telford Dairy Ltd., Market Drayton / England	57.	100.00	100.00
59.	Mueller US LLC, Delaware / USA	57.	100.00	100.00
60.	Muller Dairy Ireland Ltd., Dublin / Ireland	57.	100.00	—
61.	Muller UK & Ireland Group LLP, Market Drayton / England	55. / 57. / 68.	100.00	100.00
62.	Müller Wiseman Dairies Ltd., East Kilbride / Scotland	57.	100.00	100.00
63.	Müller Wiseman Dairies Ltd., East Kilbride / Scotland	62.	100.00	100.00
64.	The Devon Dairy Ltd., Market Drayton / England	62.	100.00	100.00
65.	The Cornish Dairy Ltd., Market Drayton / England	62.	100.00	100.00
66.	Müller Wiseman Trust Company Ltd., East Kilbride / Scotland	62.	100.00	100.00
67.	Aberdeen Milk Company Ltd., East Kilbride / Scotland	62.	100.00	100.00
68.	Robert Wiseman & Sons Ltd., East Kilbride / Scotland	62.	100.00	100.00
69.	Philpot Dairy Products Ltd., Market Drayton / England	68.	100.00	100.00
70.	Culina Group Ltd., Market Drayton / England	72.	100.00	100.00
71.	Culina Group Ltd., Market Drayton / England	70.	100.00	100.00
72.	Integrated Packing Services Ltd., Market Drayton / England	70.	100.00	100.00
73.	Foodpack Limited, Market Drayton / England	72.	100.00	100.00
74.	CML F&L (Telford) Ltd., Telford / England	70.	100.00	100.00
75.	Telford Transport Ltd., Telford / England	70.	100.00	100.00
76.	MMCC Ltd., Telford / England	70.	100.00	100.00
77.	Culina Ambient Holdings Ltd., Market Drayton / England	70.	100.00	100.00
78.	Culina Ambient Ltd., Market Drayton / England	77.	100.00	100.00
79.	Great Bear Holdings Ltd., Tattenhall / England	70.	100.00	100.00
80.	Great Bear Distribution Ltd., Tattenhall / England	79.	100.00	100.00

81.	Morgan McLernon Telford Ltd., Lurgan / North Ireland	70.	75.00	75.00
82.	Morgan McLernon Ltd., Lurgan / North Ireland	70.	75.00	75.00
83.	Warrens Warehousing Group Ltd., Sidcup / England	70.	75.00	75.00
84.	Warrens' Warehousing & Distribution (Midlands) Ltd., Sidcup / England	83.	100.00	100.00
85.	Robsons of Spalding Ltd., Market Drayton / England	70.	100.00	100.00
86.	Unity Resourcing Solutions Ltd., Market Drayton / England	70.	100.00	--
87.	TM Live, 1858 W.L. Avenue, London	71	100.00	100.00
88.	Müller Milk Management Services AG, Zürich / Switzerland	87	100.00	100.00
89.	Müller Media & Service AG, Zürich / Switzerland	88.	100.00	100.00
90.	Müller Einkauf & Service AG, Zürich / Switzerland	88.	100.00	100.00
91.	müller milch management AG, Zürich / Switzerland	88.	100.00	100.00
92.	Müller Ventures AG, Zurich / Switzerland	88.	100.00	--
93.	TM Property S.à r.l., Luxembourg	87.	90.00	90.00
94.	Lisner Holding Sp. z o.o., Poznan / Poland	97	100.00	100.00
95.	Lisner Service Sp. z o.o., Poznan / Poland	94.	100.00	100.00
96.	Lisner Poznan Sp. z o.o., Poznan / Poland	94.	100.00	100.00
97.	Nordfish Polska Sp. z o.o., Chorzyno / Poland	94.	100.00	100.00
98.	Lisner Service Sp. z o.o. sp.k., Poznan / Poland	94. / 95.	100.00	100.00
99.	Lisner Poznan Sp. z o.o. sp.k., Poznan / Poland	94. / 96.	100.00	100.00
100.	Nordfish-Foodmark Sp. z o.o., Chorzyno / Poland	94. / 97.	100.00	100.00
101.	Nordfish-Chorzyno Sp. z o.o., Chorzyno / Poland	100.	100.00	100.00
102.	Kamps Food Retail Investments S.A., Luxembourg	101	100.00	100.00
103.	Kamps Food Retail Investments S.A., Luxembourg	102.	100.00	100.00
104.	Emhage Transportgesellschaft mbH, Dissen / Germany	105	100.00	100.00
105.	Emhage Transportgesellschaft mbH, Dissen / Germany	105	100.00	100.00
106.	Emhage Transportgesellschaft mbH, Dissen / Germany	105.	100.00	100.00

The Group does not hold any shares in subsidiaries in which material non-controlling interests exist.

The following entities where Unternehmensgruppe Theo Müller S.e.c.s. has an indirect possibility to significantly influence financial and business decisions are accounted for using the equity method:

	Entities accounted for at Equity	Shares held by	Percentage of shares held (%) in 2019	Percentage of shares held (%) in 2018
1.	Culina Logistics Ireland Ltd., Dublin / Ireland <sup>1</sup>	70.	50.00	50.00
2.	IPS at Eddie Stobart Ltd., Market Drayton / England <sup>1</sup>	72.	50.00	50.00
3.	Organext Life Science B.V., Arnheim / Netherlands <sup>2</sup>	87.	25.00	25.00

<sup>1</sup> Joint venture

<sup>2</sup> Associated company

The following entities are reported as equity investments.

	Investment	Shares held by	Percentage of shares held (%) in 2019	Percentage of shares held (%) in 2018
1.	Bre Holding AG, Zug / Switzerland	88.	18.02	18.02
2.	YooMee Africa Inc., Republic of Mauritius	88.	5.10	5.10
3.	e4 Umwelt- und Servicegesellschaft mit beschränkter Haftung, Dissen / Germany	14.	4.00	4.00
4.	Seedhouse Beteiligungs GbR, Osnabrück / Germany	14.	3.57	3.57
5.	Yamo AG, Zug / Switzerland	92.	10.29	–
6.	Morgan McLernon (ROI) Ltd., Dublin / Ireland	82.	100.00	–
7.	MMI Distribution Limited, Market Drayton / England	70.	100.00	–

The following entities have not been included in the consolidated financial statements due to their immateriality:

	Non-consolidated entities	Shares held by	Percentage of shares held (%) in 2019	Percentage of shares held (%) in 2018
1.	FW100 Limited, Market Drayton / England	77.	100.00	100.00
2.	Culina Ambient Properties Limited, Market Drayton / England	78.	100.00	100.00
3.	Solstice Zone A Management Company Ltd., Yeovil / England	68.	49.80	49.80

### **Changes in the scope of consolidation**

The changes in the scope of consolidation in the 2019 financial year are summarized in the table below:

	12/31/2018	Formation	Acquisition	Liquidation	Disposal	12/31/2019
Fully consolidated companies	104	3	1	2	0	106

### **Formation**

	Name of company	Shares held by	Percentage of shares held (%)	Date of new formation
1.	Müller Ventures AG, Zurich / Switzerland	88.	100.00	03/29/2019
2.	Unity Resourcing Solutions Ltd., Market Drayton / England	70.	100.00	03/13/2019
3.	Muller Dairy Ireland Ltd., Dublin / Ireland	57.	100.00	03/13/2019

### **Acquisition**

	Name of company	Shares held by	Percentage of shares held (%)	Date of acquisition
1.	PepperPark GmbH, Weyhe / Germany	14.	100.00	01/01/2019



**PepperPark GmbH, Weyhe / Germany:**

On January 1, 2019, the Group acquired 100% of the shares in PepperPark GmbH via its subsidiary Homann Feinkost GmbH, thereby gaining control of the company. The company's main activity is the online sale of food seeds, plants including cultivation aids and accessories, sauces and spices, and various meat products.

The fair value of the identifiable assets and liabilities of the company at the date of acquisition and the corresponding net carrying values directly before the date of acquisition are presented below as follows:

In T€	Net carrying amount	Fair Value adjustment	Fair Value
Intangible assets	89	-	89
Property, plant and equipment	12	-	12
Inventories	235	-	235
Trade accounts receivable	17	-	17
Other receivables	38	-	38
Other assets	84	-	84
Cash and cash equivalents	56	-	56
Non-current financial liabilities	-1,752	-	-1,752
Other current provisions	-29	-	-29
Current liabilities to banks	-3	-	-3
Trade payables	-82	-	-82
Other current liabilities	-46	-	-46
<b>Net assets</b>	<b>-1,381</b>	<b>-</b>	<b>-1,381</b>
Consideration			<b>348</b>
<b>Goodwill</b>			<b>1,729</b>

The acquisition costs for the acquisition of the shareholding interest amounted to T€ 348 and were settled by way of liquid funds. Taking into account the liquid funds assumed in the amount of T€ 53, the net cash outflow amounted to T€ -295.

Since the acquisition costs of the business combination exceed the share in the fair values of the identifiable assets and liabilities, a difference of T€ 1,729 has been recognized as goodwill pursuant to IFRS 3.32. Due to a lack of recoverability, this was written down in full as of December 31, 2019.

Since the date of acquisition, the company has contributed T€ 1,309 to the sales revenues reported in the consolidated income statement. The share in the consolidated earnings for the same period amounted to T€ -789.

### **Liquidation**

	<b>Name of company</b>	<b>Shares held by</b>	<b>Percentage of shares held (%)</b>	<b>Date of Liquidation</b>
1.	TM Dairy (UK Holding) S.à r.l., Luxembourg	51.	100.00	11/13/2019
2.	UTM Dairy UK Ltd., Market Drayton / England	59.	100.00	06/12/2019

### **Consolidation principles**

Capital consolidation is generally undertaken using the acquisition method as of the date of transfer of control (acquisition date). Accordingly, the identifiable assets, liabilities and reportable contingent liabilities of the subsidiary are measured at fair value as of the acquisition date. Any assets-side difference arising from initial consolidation is capitalized as goodwill and tested for impairment at annual intervals.

In a company merger, the non-controlling interests in the entity acquired are measured at the corresponding share in the identified net assets of the entity acquired.

*Changes in the percentage of interests held by the parent company in a subsidiary that do not lead to a loss in control, are treated as transactions between the owners with no effect on profit or loss.*

Intra-group sales revenues, income and expenses as well as all receivables and payables or provisions, respectively, between the entities included in the consolidated financial statements have been eliminated.

Assets from intra-group supplies included in non-current assets and in inventories have been adjusted for interim results. In the accompanying consolidated financial statements, interim results amounting to T€ -80 (prior year: T€ -2,528) were eliminated.

### **Common control transactions**

Since IFRS 3 does not address common control transactions, the Unternehmensgruppe Theo Müller has decided to value the takeover at the net carrying values for the investment transfer (predecessor accounting). Within the context of predecessor accounting, the assets and liabilities transferred are not recognized at fair value, but on the basis of the existing net carrying values of the entity acquired. The transferred assets include the goodwill already existing, *provided that a consolidated group is assumed. Any difference between the consideration given and the assets and liabilities assumed do not result in the creation of new goodwill, but is recognized within equity.*

### **Currency translation**

The consolidated financial statements have been prepared in euro (€), which is the functional currency of the Company.

The foreign Group companies are autonomous sub-units. The functional currency is the respective local currency.

Foreign currency transactions reported in the entities' individual financial statements are measured at the rates applicable as of the date of initial reporting. As of the balance sheet date, monetary items are translated at applicable reporting date rates and any resulting currency gains (+) or losses (-) are reported directly in the income statement. In the 2019 financial year, currency differences amounted to T€ 45,696 (prior year: T€ -19,153). Of this amount, T€ 43,046 (prior year: T€ -16,908) was reported under the other financial result and T€ 2,650 (prior year: T€ -2,245) under the operating result.

To include the balance sheets denominated in foreign currencies in the consolidated balance sheet, the assets and liabilities are translated into the euro currency as at the reporting date exchange rate. Capital consolidation and translation of equity are based on historical exchange rates. In 2019, currency translation differences amounting to T€ 37,960 were transferred directly to equity (prior year: T€ -5,290) (refer to Note [14]).

The income statements of the foreign currency financial statements included in consolidation are translated using valid monthly average exchange rates.

Currency translation relating to relevant currencies of those countries that are not included in the European Union is based on the following reporting date exchange rates:

Exchange rate in €	Reporting date rate as of Dec. 31.	
	2019	2018
1 British Pound sterling (GBP)	1.17536	1.11791
100 Czech Crowns (CZK)	3.93577	3.88742
100 Polish Zloty (PLN)	23.49182	23.24824
1 US Dollar (USD)	0.89015	0.87336
100 Hong Kong Dollar (HKD)	11.43210	11.15138
1 Swiss Franc (CHF)	0.92132	0.88739

## Summary of Significant Accounting Policies and Underlying Assumptions and Estimates

The consolidated financial statements have been prepared in thousands of euros (T€) by applying the cost principle, with the exception of derivative financial instruments (*FVtPL*) as well as securities classified as equity or debt instruments (*FVtPL*) and investments (*FVtPL*). Uniform accounting and measurement methods are determined for all Group companies. These methods have not changed in comparison to the previous year.

Assets and liabilities as well as income and expenses are not netted unless netting is required or permitted by a Standard or Interpretation in accordance with *IFRS*.

Significant accounting policies and underlying assumptions and estimates are summarized below as follows:

### **Intangible assets (excluding goodwill and development costs)**

Intangible assets that are not acquired as part of a business combination are recognized at acquisition cost at the date of first-time recording or at manufacturing cost for internally generated intangible assets. Intangible assets in subsequent periods are recognized at the acquisition or manufacturing cost less accumulated amortization and impairment expenses.

Intangible assets are distinguished between those with definite and indefinite useful lives. Intangible assets with definite useful lives are amortized on a straight-line basis over the economic useful life. The amortization periods and methods for intangible assets with a definite useful life are reviewed at the minimum at the end of the financial year.

Gains and losses from the derecognition of intangible assets are calculated as the difference between the net sales proceeds and the net carrying value of the asset and recognized to profit or loss in the period in which the asset is derecognized.

Purchased intangible assets with definite useful lives include milk farm-gate prices, IT software, customer relationships and advantageous agreements. Milk farm-gate prices are paid out as a contract bonus and serve to secure the required milk quantities at the respective production sites.

In addition, easements with indefinite useful lives are reported at a carrying amount of T€ 79 (prior year: T€ 79) under purchased intangible assets.

Scheduled amortization of intangible assets is mainly measured according to the following useful lives:

<b>Intangible assets</b>	<b>Useful life in years</b>
Customer relationships	5 – 20
Advantageous agreements	5 – 18
Software	3 – 8
Milk farm-gate prices	3 – 5

The residual useful lives of the intangible assets are as follows:

<b>Intangible assets</b>	<b>Residual useful life in years</b>
Customer relationships	1 – 14
Advantageous agreements	3 – 9
Software	1 – 7
Milk farm-gate prices	1 – 4

Intangible assets with indefinite useful lives are not amortized systematically. They are subjected to an impairment test once a year unless triggering events or changed circumstances already indicated that impairment may have taken place.

Amortization of intangible assets is disclosed in the income statement under the item "Depreciation and amortization".

#### **Difference amount from capital consolidation**

The accounting treatment of business combinations is based on the acquisition method, i.e. the purchase price is compared to the revaluation of allocable net assets of the acquired company. In this context, the acquisition date values are to correspond to the date at which control was gained over the acquired company. Value differences are disclosed at their full amounts, i.e. reportable assets, liabilities, contingent liabilities are generally stated at their fair values in the consolidated balance sheet.

Goodwill according to IFRS 3 corresponds to the positive difference between the acquisition cost of the entity and the revaluation of allocable net assets of the entity acquired. The existing goodwill is not amortized systematically, but tested for impairment once a year (impairment only approach). Any impairment of goodwill is stated under the line item "Depreciation and amortization".

*If the acquisition cost is less than the fair value of the net assets of the entity, the excess amount of the acquiring entity's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired over the acquisition costs is recognized directly to profit or loss and shown under other operating income.*

#### **Brands**

The brands recognized in the consolidated financial statements of Unternehmensgruppe Theo Müller S.e.c.s. were measured using the *relief from royalty method* and have both definite and indefinite useful lives.

Brands	Useful life in years
Polarica	25
Great Bear	17
CML Fulfilment & Logistics	17
Morgan McLernon	17
Philpot	10
FRijj	10
Warrens	10
Robsons	10
Foodpack	7
Homann	indefinite
Nadler	indefinite
Hamker	indefinite
Lisner	indefinite
Pfennigs	indefinite
Hopf	indefinite

The criteria for an indefinite useful life pursuant to IAS 38.90 is based on a successful corporate history, the existence of market entry barriers for competitors of the company and the intention of Unternehmensgruppe Theo Müller to use the brands for an indefinite period; Unternehmensgruppe Theo Müller undertakes intensive branding management to this aim.

### **Research and development**

In accordance with IAS 38 (Intangible Assets), research costs cannot be capitalized and development costs can only be capitalized if certain, precisely determined preconditions apply. Consequently, capitalization is always required when adequate technical and other resources are available to complete the development, if it is intended and possible to use the intangible asset, if an expected future economic benefit can be demonstrated and if the expenses allocable during the development process can be measured with sufficient reliability.

In addition, various IAS 38 criteria concerning the development project and the product or procedure to be developed must be fulfilled cumulatively.

The Unternehmensgruppe Theo Müller primarily incurs research costs. As the majority of new products do not reach the market launch phase, proof of how the intangible asset can achieve economic benefit in the future cannot be provided. Furthermore, the system installed does not ensure segregation between the research and the development phase, and the capitalization of development work in accordance with IAS 38 is not possible since allocable development expenses cannot be measured reliably.

### **Property, plant and equipment**

Property, plant and equipment are measured at acquisition or manufacturing costs net of scheduled straight line depreciation based on the expected useful life of the asset concerned. The expected useful lives of property, plant and equipment are as follows:

<b>Property, plant and equipment</b>	<b>Useful life in years</b>
Real estate held as investment property	50
Buildings	33.3 and 50
Laboratory equipment	13
Storage facilities	12
Operating facilities	8-15
Transport facilities	8-14
Passenger cars	6
Trucks	4-7
Machinery	3-10
Other operating and office equipment	3-13

Depreciation is calculated in accordance with the straight-line method applying the expected useful life on a *pro rata temporis* basis. It is disclosed in the income statement under the item "Depreciation and amortization". The depreciation method is, at the least, reviewed at the end of each financial year with regard to the future economic useful life of the given item and adjusted as required. The costs for replacing a part of property, plant and equipment are included in the net carrying value at the date incurred, provided that the recognition criteria are satisfied. Costs incurred from major inspections are capitalized as a replacement cost in the carrying value of the property, plant and equipment, provided that the recognition criteria are satisfied. The same applies to the costs incurred from a general overhaul. Other maintenance costs are only capitalized if it increases the inherent future benefit of the respective asset.

Restoration obligations for leased building space to its original condition are provided for in full and capitalized in a corresponding amount. The scheduled depreciation is based on the carrying value that has been increased by the capitalized amount.

Financing costs that are directly connected with the acquisition of qualified assets were neither reported in the financial year nor in the previous year.

Property, plant and equipment is derecognized either upon disposal or if an economic benefit is no longer expected from the further use or disposal of the asset. Gains or losses arising from the derecognition of an asset is determined as the difference between the net sales proceeds and the carrying value of the asset and is recognized to profit or loss in the period in which the asset is derecognized.

Subsidies pursuant to the Investment Subsidies Act [Investitionszulagengesetz (InvZulG)] and subsidies under the development program "Improvement of the Regional Economic Structure" ["Verbesserung der regionale Wirtschaftsstruktur" (GRW)] were applied for with respect to investments in the Saxony development area. Government grants and subsidies regarding investments made are recorded as government grants for assets as soon as it is

sufficiently certain that the entity will meet the requirements associated with the grants concerned and that the grants will be approved. The grants are deducted directly from the respective assets in accordance with IAS 20.24.

#### **Real estate held as investment property**

Real estate held as investment property are held to generate rental income and / or for value appreciation purposes.

Measurement is based at the cost or manufacturing cost (cost model) less scheduled, straight-line depreciation based on useful life and impairment. Real estate held as investment property are shown separately under non-current assets. The useful life of investment property is 50 years.

Real estate held as investment property by the Unternehmensgruppe Theo Müller is exclusively rented. The rental income and the directly attributable costs therefrom are recognized in the income statement.

#### **Leases**

##### **The Group as lessee:**

Leases are arrangements whereby the lessor conveys to the lessee the right to use an identified asset for a specified period of time in return for a fee. A lease only exists if the lessee acquires control of the right of use. Control is presumed to exist when the lessee essentially obtains all the economic benefits embodied in the use of the identified asset and has sole control over the use of the asset.

In the Group, all leases are recognized in the balance sheet as rights of use and as leasing liabilities at the present value of the outstanding lease payments at the commencement date.

The right of use is initially measured at acquisition cost, which is equal to the initial measurement of the leasing liability, adjusted for payments made on or before the commencement date, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring the underlying asset or the site on which it is located, less any incentives received under the lease.

Subsequently, the right of use is amortized on a straight-line basis from the commencement date to the end of the lease term unless ownership of the underlying asset passes to the Group at the end of the lease term or the cost of the right of use reflects the fact that the Group will exercise a purchase option. In this case, the right of use is amortized over the useful life of the underlying asset, which is determined in accordance with the rules for property, plant and equipment. In addition, the right of use is continuously adjusted for impairment where necessary and adjusted for certain revaluations of the leasing liability.

The term of the lease is the reasonably assured period of time over which the asset is leased. In addition to the non-terminable basic rental period, extension periods are included if their utilization is sufficiently certain at the start of use and termination periods if their utilization is not sufficiently certain. The assessment is reviewed if either events beyond the



control of the Group or material changes in circumstances occur that require a change in the term. The term of the lease is adjusted if an extension option is exercised or a termination option is not exercised and these were not considered in the original estimate. The change in the lease term leads to a change in the future payment series and thus to a revaluation of the leasing liability using the current marginal borrowing rate. The resulting difference is recorded in the right of use without affecting income. Derecognition amounts in excess of the carrying amount of the right of use are recognized as an expense in the income statement within the operating result.

The leasing liability is recognized at the present value of the future lease payments over the sufficiently certain useful life. Lease payments comprise all fixed and quasi-fixed payments, reduced by future incentive payments by the lessor. In addition, variable payments linked to an instalment or an index, expected payments from residual value guarantees and payments for the exercise of sufficiently certain purchase and termination options are recognized.

The lease payments are discounted at the marginal borrowing rates of the Group (lessee). The Group's marginal borrowing rates are determined on the basis of risk-free interest rates over various terms plus a margin and a country-specific risk premium.

Each lease instalment is divided into an interest and repayment portion. Interest expenses are recognized in the income statement under net interest income over the term of the lease, resulting in a constant periodic interest rate on the residual amount of the liability for each period.

A modification of the lease agreement (so-called "contract modification") that significantly increases the scope of the original agreement is recognized as a separate lease if the Group is granted an additional right to use one or more underlying assets and the consideration to be paid for this right is equivalent to the individual sales price that the Group would otherwise have had to pay for the use if it had rented these assets from a third party under a separate lease contract.

Contract amendments that increase the scope of the contract but do not lead to a separate lease are recognized directly in equity in the carrying amount of the right of use and the leasing liability of the existing lease. If an amendment to the contract reduces the scope of the lease agreement, both the right of use and the leasing liability must be remeasured. The resulting pro rata profits or losses are recognized in the income statement within the operating result. The modified amounts are then measured at the time of the amendment at the new interest rate then applicable.

The Group takes advantage of the exemptions for short-term leases as well as for leases of low-value assets that are not short-term leases and recognizes them on a straight-line basis as an expense within the operating result.

Sale and leaseback transactions are not used in the Group.

**The Group as lessor:**

In rare cases, the Group acts as lessor in the context of subleases. This involves subletting parts of buildings or even entire properties to external lessees.

If the lessee bears the main opportunities and risks associated with ownership of the leased asset (*finance lease*), the lessor no longer recognizes the leased asset/right of use but a lease receivable. The amount of the lease receivable corresponds to the net investment value of the leased object at the time of acquisition.

The lease instalments paid by the lessees are divided into an interest and repayment portion using the effective interest method. In subsequent measurement, the receivable from the lease is reduced by the repayment portions received. The interest portion of the payments received is recognized as interest income in net interest income over the lease term.

**Investments accounted for at equity**

Companies accounted for under the equity method include joint ventures and associated companies. Investments measured at equity are capitalized at acquisition costs as of the acquisition date.

In subsequent periods, the carrying amounts are increased or reduced annually by the changes in the equity of the associated company and joint venture for changes that are attributable to the Group. Within the scope of an impairment test, the carrying amount of an entity measured at equity is compared to the recoverable amount of that entity. If the carrying amount exceeds the recoverable amount, impairment in the amount of the difference is to be recorded in the income statement. If the reasons for the impairment recorded no longer apply, a respective write-up is recorded and recognized in the income statement. Interim profits and losses from sales among the Group companies and the entity measured at equity are eliminated in the amount of the investment percentage.

When the share in the losses of a company measured at equity corresponds to or exceeds the value of an investment measured at equity, no further loss shares are recognized. The shares are disclosed at a carrying amount of zero. The exceeding losses are recorded in ancillary accounts pertaining to the income statement. The gains realized in subsequent periods are initially offset against the losses used in the ancillary accounts. Shares in future profits are recognized in the balance sheet only when the profit share exceeds the losses determined in the ancillary accounts.

Dilution gains and losses attributable to companies accounted for at equity are recognized in profit or loss.

### **Financial non-derivative assets and other financial assets**

Financial assets are comprised of securities, stocks, investments, loans, other financial assets (rental deposits, building cost subsidies, asset value of reinsurance policies, semi-retirement reimbursement claims) and trade accounts receivable.

According to the classification and measurement requirements under IFRS 9, a distinction is made within the Unternehmensgruppe Theo Müller between two classification categories for financial assets:

- measured at amortized cost (AC)
- measured at fair value through profit or loss (FVtPL)

The category

- measured at fair value with changes in value in other comprehensive income (FVOCI) is not applicable to the Unternehmensgruppe Theo Müller.

The allocation to the respective classification categories is made according to the following criteria:

- the Group's business model for managing financial assets and
- the characteristics of the contractual cash flows of the financial assets.

Financial assets that are debt instruments pursuant to IAS 32 are classified using the business model and the structure of the contractual cash flows. Debt instruments are classified at amortized cost (AC) if the business model aims to collect the contractual cash flows ("hold-to-collect") and the contractual cash flows exclusively provide for repayments of principal and interest on the outstanding principal amount.

Financial assets for which either the cash flow criterion is not met or which are held for trading purposes (neither the "hold" nor the "hold and sell" business model) and derivative financial instruments that are not designated as hedges are carried at fair value through profit or loss (FVtPL).

Financial assets are initially recognized at fair value taking into account the transaction costs directly attributable to the acquisition of the financial asset. Transaction costs for financial assets measured at fair value through profit or loss are recognized directly in profit or loss as an expense.

Subsequent measurement of the financial assets depends on its classification as follows:

- at amortized cost (AC): Interest income from these financial assets is recognized in the financial result using the effective interest rate method. Gains or losses from derecognition are recognized directly in the income statement and reported under the line item "other financial result".
- at fair value through profit or loss (FVtPL): Gains or losses on debt instruments measured at fair value through profit or loss are recognized as a net gain or loss

under the line item "other financial result" in the period in which they arise. For subsequent measurement, all equity instruments are measured at fair value. Changes in fair value are also reported net under the line item "other financial result" in the period in which they arise.

Loans and receivables are financial assets involving fixed or determinable payment amounts that are not traded on an active market. They are classified to the hold to collect business model with the aim of realizing contractual cash flows. The contractual cash flows exclusively represent interest and repayment on the outstanding capital sum. Upon initial recognition in the balance sheet, these assets are reported at fair value plus directly allocable transaction costs. In subsequent years, the assets are reported at amortized cost (AC) using the effective interest rate method in consideration of impairment expenses, if any.

In addition, securities (third-party administered) shown under current financial assets are classified as held for trading (FVtPL) and recognized at fair value (derived from stock exchange values respectively from the net asset value) as of the balance sheet date. Transaction costs are recognized immediately as an expense in the income statement. Classification as held for trading can be made if the financial asset has been acquired with the main purpose of selling it in the short term or for which there is a recent pattern of short term profit taking. In the 2019 financial year, no securities were reported under current financial assets as held for trading.

For investments in equity instruments that are not held for trading, a one-time option exists at the time of initial recognition to measure them at fair value with changes in value in other comprehensive income (FVOCI). The Group has not exercised this option. The investments are classified at fair value through profit or loss (FVtPL) and recognized at fair value at the balance sheet date.

Loans and/or credits as well as cash pooling receivables disclosed under financial assets are classified at amortized cost (AC) and, upon initial recognition, recognized at fair value plus directly allocable transaction costs. In subsequent years, the assets are reported at amortized cost using the effective interest rate method in consideration of impairment expenses, if any. In the event of indications of impairment or non-recoverability of the loans and/or credits, a write-down to the expected recoverable amount is recognized in the income statement. The 3-level impairment model under IFRS 9 is applied. There were no material impairments of the loans and/or credits in the 2019 financial year.

Non-interest bearing or low interest receivables with terms of more than one year are stated at present value using the effective interest rate method.

Non-derivative financial instruments acquired by way of regular purchases are accounted for at the settlement day, i.e. based on the day when the asset is delivered. In contrast, portfolios administered are accounted for at the trade day.

Financial assets and liabilities are only netted and disclosed as a net amount in the balance sheet when this is legally possible and compensation on a net basis is intended or when it is planned to settle the pertaining liability together with the realization of the respective asset.

The fair value of financial instruments traded on organized markets is determined by the quoted market price as of the balance sheet date. The fair value of financial instruments with no active market is determined by applying a valuation method. Valuation methods include the use of recent arm's length transactions between knowledgeable, willing and independent parties, a comparison with the current fair value of another nearly identical financial instrument, an analysis of discounted cash flows or the use of other valuation models.

With regard to the decision as to when a given financial asset should be derecognized, the point in time of the transfer of any risks and rewards incidental to ownership of the asset concerned is significant (Risks and Rewards Approach).

### **Derivative financial instruments**

As a general rule, derivative financial instruments such as forward exchange contracts, commodity derivatives, FX options and currency swaps are used for hedging purposes in order to minimize currency risks arising from the operational business or to cover the financing requirements arising therefrom, respectively. Moreover, interest swaps are used to hedge against interest rate risks from financing transactions.

Hedge accounting is not applied in the consolidated financial statements.

The derivative financial instruments are initially recognized at acquisition cost plus transaction costs at the time the corresponding contract is concluded and recognized at fair value (FVtPL) in accordance with IFRS 9, regardless of the purpose or intention for which they were concluded.

Current and observable market parameters for interest rates and exchange rates are used as sources for determining fair values. The fair values are determined on the basis of appropriate valuation methods (such as the discounted cash flow method, option price models).

Any changes in fair value are reported in the income statement.

Derivative financial instruments acquired by way of regular purchases are accounted for as of the trade day, this means as soon as the Unternehmensgruppe Theo Müller becomes a contractual partner.

### **Inventories**

Inventories are measured at the lower of acquisition or manufacturing costs and net realizable value. Acquisition or manufacturing costs include all costs related to the acquisition and manufacture as well as other costs incurred in bringing the inventories to their present location and condition. The net realizable value is the anticipated sales revenue realizable within the course of a regular transaction, net of estimated costs until completion and estimated necessary selling costs.

Raw materials and supplies are measured using the moving average value method and/or reporting date values. All recognizable storage and inventory risks are accounted for by recording adequate value adjustments.

Manufacturing costs of work in progress and finished goods include, in addition to materials and manufacturing direct costs, appropriate portions of the necessary materials and manufacturing overhead costs that are directly attributable to the manufacturing process. General administration costs are stated to the extent that they qualify as production-related costs. Borrowing costs are not included and are reported as an expense in the period in which it was incurred in accordance with IAS 23.7 et seq.

### **Receivables and other receivables**

Receivables and other receivables are non-derivative financial assets with fixed and determinable payments that are not quoted on an active market. According to IFRS 9, these instruments are classified in the category at amortized cost (AC) and are subject to the effective interest method.

In subsequent years, these instruments are recognized at amortized cost using the effective interest rate method, since they are held to collect contractual cash flows and their cash flows represent only repayments of principal and interest on the outstanding capital.

The Group uses the expected credit loss (ECL) model in accordance with IFRS 9 for debt instruments subsequently measured at amortized cost. Accordingly, the Group determines the impairment of trade receivables that are recognized at amortized cost for each individual customer or customer group. Each customer or customer group is assigned to a rating that takes into account past and present conditions as well as forecasts of future economic conditions. The amount of the valuation allowances recognized as risk provisions for expected loan defaults generally depends on the extent to which the default risk has deteriorated since initial recognition. A provision for loan losses in the amount of the 12-month ECL (value adjustment for loan defaults expected within the next 12 months) is recognized starting from the initial recognition of the debt instrument. If the default risk has increased significantly, a write-down for expected credit losses is recognized over the entire term of the debt instrument. A significant increase in default risk is assumed as soon as a client's rating is outside the "investment grade".

If recoverability is doubtful, the receivables are stated at the lower realizable amount by recording an individual risk provision (separate value adjustment account). A case-based approach is applied and the scope of credit insurance is taken into account.

The receivables are derecognized when it is certain that they are non-recoverable. Individual risk provisions are derecognized upon payment. They are utilized if the receivable is irrecoverable. A gain or loss arising from derecognition and impairment losses are recognized directly in the income statement.

With respect to current receivables and other receivables, the carrying amounts disclosed approximately correspond to fair value. The difference between other receivables and other financial assets is based on whether the claim for consideration is for cash or not.

### **Cash and cash equivalents**

Cash and cash equivalents include checks, cash and bank balances. They are stated at amortized cost. Cash and cash equivalents are due within a maximum period of three months. Due to the short-term nature of cash and cash equivalents, the face value amounts correspond to the fair values. No provision was recognized in accordance with IFRS 9 due to the short-term nature and high creditworthiness of the banks.

For purposes of the consolidated cash flow statement, cash and cash equivalents correspond to the amounts disclosed in the balance sheet plus short term, extremely liquid financial instruments (*commercial papers*) net of current account liabilities and cash pooling, which are an integral part of the Unternehmensgruppe Theo Müller's monetary arrangements.

### **Assets held for sale and the related liabilities**

Assets classified as "held for sale" are available for immediate sale in their present condition and the sale is highly probable. This can deal with individual assets, the disposal of a group of assets (disposal group) or discontinued operations. Liabilities given in a transaction associated with the asset are a part of the disposal group or discontinued operations and are reported not netted as current under "assets held for sale and related liabilities".

Non-current assets (or disposal groups) are reported at the lower of the carrying amount and fair value less selling costs and are no longer systematically depreciated. Gains or losses from the valuation of discontinued operations at fair value less selling costs are also reported analogue to the results from the business activities and/or from the disposal of these operations as the net result from discontinued operations. In contrast, gains or losses from the valuation of individual assets held for sale and from disposal groups are reported in the result from continuing activities until their final sale.

### **Pension provisions**

The measurement of defined benefit plans is based on the projected unit credit method stipulated in IAS 19.

The gross pension obligation results from the present value of vested pension claims, taking into account financial and demographic assumptions. At the same time, the plan assets are remeasured at fair value. The present value of the defined benefit obligation and the fair value of the plan assets are netted per plan and result in the defined net benefit obligation or defined net benefit asset. If the fair value of the plan assets exceeds the present value of the defined benefit obligation, a net asset is reported in consideration of the asset ceiling provided that the Unternehmensgruppe Theo Müller has the power of control over these economic benefits.

The "remeasurement component" includes the actuarial gains and losses from the defined benefit obligation, the difference between the plan asset yield actually realized and the interest rate used at the beginning of the period as well as possible effects from the change of an asset ceiling as far as it is not already included in the net interest expense. The remeasurements are disclosed as a separate item in equity capital with neutral effects on

profit or loss, taking deferred taxes into account. They are not reclassified (recycled) in the income statement at a later date.

The net interest expense/net interest income is disclosed in the financial result and is determined on the basis of the interest on the net defined benefit obligation or defined benefit asset existing at the beginning of the year or the net asset taking into account changes resulting from contribution or benefit payments during the year, respectively. The interest rate used for calculating the pension provision is oriented towards the long term interest rate for high-value corporate bonds as at the balance sheet date.

The service cost is part of the personnel expense and consists of the current service cost, the past service cost as well as gains/losses from plan settlements.

In the event of defined contribution plans, clearly determinable amounts are paid to an external pension provider. The Unternehmensgruppe Theo Müller has no further payment obligations other than those paid in this context. The payments made are recognized when payable in the reporting period under personnel expenses.

In Germany, there is a defined contribution, basic state pension scheme for employees, which makes the pension payments at a level dependent on income and the contributions paid. Upon payment of the contributions to the state pension scheme, there are no further payment obligations to Unternehmensgruppe Theo Müller. The current contribution payments are recognized as an expense in the respective period.

Defined contribution and defined benefit plans exist for employees from company pension schemes that are dependent on the length of employment and salary level of the employee.

Under a defined contribution plan, the Unternehmensgruppe Theo Müller makes contributions on the basis of a company agreement to Hamburg Pensionskasse von 1905 VVaG (HPK), Hamburg / Germany. The Unternehmensgruppe Theo Müller has no further payment obligations beyond the contribution payments. The contributions are recognized under personnel expenses when it becomes payable.



### **Other long-term employee benefits**

Provisions for existing obligations resulting from early retirement arrangements and long-service awards are set up in accordance with IAS 19. Actuarial gains and losses are recognized in the income statement in the period in which they are incurred.

- **Early retirement arrangements**

The majority of the Group's early retirement arrangements are based on the Block model. In this connection, two types of obligations arise that are each measured and accounted for at the present value in conformity with actuarial principles.

The first type of obligation relates to the cumulative outstanding settlement amount that is recognized pro rata over the term of the active employment phase. The cumulative outstanding settlement amount is based on the difference between the employee's compensation before commencement of the early retirement arrangement (including the employer's share of social security costs) and the compensation for the part-time employment (including the employer's share of social security costs, but not taking into account top-up amounts).

The second type relates to the employer's payment of top-up amounts plus another sum for legal pension insurance. Top-up amounts must be accumulated on an instalment basis over the vesting period dependent on future employment services. Under the Block model, the vesting period for top-up amounts begins with the acquisition of the employee's claim to participation in an early retirement program and ends with the entry of the non-active phase.

- **Long-term service awards**

Obligations exist for a portion of the employees as an allowance on occasion of long-time employment service anniversaries. Measurement under IFRS is made according to the projected unit credit method and is partly calculated by an actuarial expert.

The actuarial method used to calculate the allowance is the projected unit credit method. The calculations are based on biometric values according to the Life Expectancy Tables 2018G from Dr. Klaus Heubeck. The provisions for the long service awards are reported in the balance sheet under other provisions.

- **Death benefits**

An obligation to make death benefits exists for a portion of the employees. Upon the death of an employee, the surviving spouse, dependent children or dependent parent would receive death benefits in the amount of the monthly salary of the deceased for the period between the day of death and the last day of that month.

Measurement under IFRS is made by an actuarial expert. The actuarial method used to calculate the allowance is the projected unit credit method. The calculations are based on biometric values according to the Life Expectancy Tables 2018G from Dr. Klaus Heubeck. The provisions for death benefits are reported in the balance sheet under other provisions.

- **Termination benefits**

Termination benefit payments are paid when an employee is dismissed before the normal pension age or when an employee volunteers to terminate the employment

contract in exchange for severance benefits. The Unternehmensgruppe Theo Müller recognizes termination benefits when it can be evidenced that it is obligated under a detailed formal plan to terminate employment of current employees and it cannot be revoked or to make severance payments when an employee volunteers to terminate the employment contract. The expenses are reported under personnel expenses and the obligation under other provisions.

- **Management bonuses and performance-based compensation**

A liability is recognized for management bonuses and performance-based compensation in accordance with a company agreement. The expenses are reported under personnel expenses.

### **Other provisions**

In accordance with IAS 37, provisions are set up if current obligations from a past event exist vis à vis third parties which are likely to result in an outflow of resources and can be estimated reliably.

The provisions are reported to account for recognizable risks and uncertain liabilities at a level in line with the probability of occurrence. The settlement amount also includes cost increases to be accounted for as of the balance sheet date. Provisions are also set up to account for onerous contracts. A contract is considered onerous when the unavoidable costs exceed the expected economic benefit arising from the contract.

Regarding material interest effects arising from discounting, a provision is discounted at a discount rate before taxes that reflects the specific risks of the liability, where necessary in individual cases. In the case of discounting, the increase in the provision due to the lapse of time is recognized under the financial result.

### **Restructuring provisions**

Provisions for restructuring are accounted for as soon as the Unternehmensgruppe Theo Müller adopts a detailed and formal restructuring plan and the restructuring has either already commenced or has been publicly announced. The expenses for the continuing activities of the Group are not included in the provision.

### **Income taxes / deferred taxes**

The income taxes reported in the consolidated income statement relate to current and deferred taxes. Income taxes are recognized in the consolidated income statement unless they relate to circumstances that are to be directly recognized to equity. In such cases, the taxes are offset against equity.

Actual tax refund claims and tax liabilities for the current period and for past periods are measured at the amount that is expected to be refunded by the tax authorities or which is expected to be payable to the tax authorities. The amount is calculated using the tax rates and tax laws applicable as of the balance sheet date.

In accordance with IAS 12, deferred taxes are set up on all temporary differences existing as of the balance sheet date between the IFRS value recorded for an asset or a liability, respectively, and the tax-based values. In addition, deferred tax assets are set up for tax losses that can be set off in the future. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced accordingly if it is no longer probable that sufficient taxable income will be available against which the deferred tax asset can be at least partially set off. Deferred tax assets that are not recognized are reviewed at each balance sheet date and set up to the extent that it is probable that future taxable income will make it possible to realize the deferred tax asset. The calculation of deferred taxes is based on the tax rates applicable or resolved on as of the balance sheet date. Deferred tax assets and deferred tax liabilities are offset if the requirements set out under IAS 12.74 are met.

### **Financial liabilities / other financial liabilities / other liabilities**

Other financial liabilities include loan and USPP bond liabilities (financial liabilities), trade payables, payables to companies accounted for at equity, other financial liabilities and other liabilities. Non-derivative financial liabilities are reported at fair value plus directly allocable transaction costs upon initial recognition. They are stated at amortized cost in subsequent years using the effective interest rate method (AC). Current liabilities are stated at their repayment or settlement amount. The disclosed carrying amounts represent an appropriate approximation of the fair value.

Non-interest or low interest bearing liabilities due in more than one year are reported at present value, applying adequate market rates of interest which about corresponds to the fair value. If a difference amount between the present value and nominal value from one of the partner loans should arise in connection with the discounting, this difference amount is to be taken into account under equity.

A financial liability is derecognized when it is repaid or waived by the creditor or by law.

### **Income and expense recognition**

Revenue from contracts with customers is recognized in accordance with IFRS 15. The relevant contracts with customers are then identified and defined using a five-stage contract-based model. The separate performance obligations explicitly or implicitly agreed in the contract are then identified and the contract is examined for fixed and variable remuneration components in order to determine the respective transaction price on this basis. Possible restrictions on the estimability of variable consideration are adequately taken into account. If more than one separate performance obligation is identified in a contract, the transaction price is then allocated to the defined performance obligations using the relative unit selling price method, which is generally determined as the price on the markets relevant to the respective customer. Revenue is recognized when the performance obligation is fulfilled, depending on the underlying business model, either on a time or period basis. If necessary, the extensive principal-agent considerations prescribed in IFRS 15 are also adequately taken into account in the contract analysis.

The weighting of the five levels depends on the arrangement of the respective business model. On the basis of the underlying sources of revenue in the Group, the following key aspects are taken into account when recognizing revenue:

- Products and merchandise: The revenues arising from these contracts are generally recognized when control is transferred (time basis). This usually is the case when delivering to a customer and depending on the underlying terms of delivery when the customer obtains the benefit over the service (the asset).
- Services: Services are generally provided over a period of time and revenue is recognized using an appropriate output or input-based method to measure the stage of completion. Where permitted, the Group recognizes revenue in the amount of the invoice if that amount corresponds to the value of the work performed.
- Licenses: For revenue-based licensing, revenue is recognized when the fee-based revenues of the customer are incurred.
- Payments to customers, including credit notes or subsequent price deductions, are generally recorded as a reduction in proceeds, unless the payment is a consideration for an independently identifiable, reasonably assessable delivery or service by the customer.
- Payments are due after 43 days on the average in the Unternehmensgruppe Theo Müller.

A contract asset is recognized if the Group has recognized revenue from the fulfilment of a contractual obligation before the customer has made a payment or – regardless of the due date – before the conditions for invoicing and thus the recognition of a receivable have been met.

A contract liability is to be recognized if the customer has made a payment or if a receivable from the customer falls due before the Group has fulfilled the contractual obligation and thus

recognized revenue. Contractual liabilities, within a customer contract, are to be netted with contractual receivables.

There are currently no circumstances that meet the definition of contractual assets and contractual liabilities.

IFRS 15 permits some relief options, of which the following have been applied by the Group:

- *Contract costs encompass costs of initiating and performing the contract. These are to be capitalized if it can be assumed that the costs will be compensated by future revenues from the contract. Contract initiation costs are additional costs that would not have been incurred without the conclusion of the contract. Contract fulfilment costs are directly attributable costs incurred after the start of the contract that serve to fulfil the contract, but are incurred before it and cannot be capitalized under another standard. The Group applies the option to recognize contract costs that would not be amortized over a period exceeding one year immediately as an expense.*
- *In calculating the transaction price, the fair value of the money must be taken into account if the timing of the payments provides a significant financing advantage either to the customer (payment after receipt of the service or the entity providing the service) or to the entity providing the service (payment before providing the service). As a relief provision, the fair value of the money may be disregarded if there is no more than one year between the fulfilment of the performance obligation and payment. In the Group, the value of the consideration is not adjusted for a material financing component if the financing component relates to a period of no more than 12 months.*

Operating expenses and income are recognized upon utilization or rendering of the services. *Interest expenses or other borrowing costs as well as interest income are recognized as income or expense on an accrual basis at the date of origin, in conformity with the effective interest rate method.*

### **Impairment**

The Group applies the *expected credit loss model* under IFRS 9 for debt instruments that are subsequently measured at amortized cost (also refer to "Receivables and other receivables").

The recognition of expected credit losses (ECL) is based on a three-level process for allocating impairment:

Level 1: *Expected credit losses within the next 12 months after the balance sheet date*  
*Level 1 includes all contracts with no material increase in credit risk since initial recognition.*  
 A provision is recognized for an expected credit loss over the life of the instrument that is attributable to a default within the next 12 months.

**Level 2: Expected credit losses over the entire term**

If a financial asset has experienced a significant increase in credit risk after initial recognition, it is classified to Level 2. A provision for potential payment default is recognized for expected credit losses, which are measured over the entire term of the financial asset. A significant increase in credit risk is assumed when the financial instrument is no longer rated as "investment grade".

**Level 3: Expected credit losses over the entire term – creditworthiness impaired**

If a financial asset's creditworthiness is impaired or defaulted, it is assigned to Level 3. Financial assets are considered impaired if there is objective evidence that one or more events have occurred that have a negative impact on the expected future cash flows from the asset. Objective indications may arise, for example, from the age structure of the receivables or significant financial difficulties of the debtor.

The impairment loss on financial instruments measured at amortized cost is determined as the *probability-weighted present value of all cash flows over the expected life of the financial asset*. The impairment loss is recognized immediately as an expense in the income statement.

Within the scope of accounting for assets that are neither inventories nor deferred tax assets or financial instruments, a review is carried out at each balance sheet date as to whether there are any indications of impairment. If this is the case, the recoverable amount is determined (as the higher of fair value net of selling costs and value in use) and compared to the recognized carrying amount. If the recoverable amount is lower than the carrying amount, the latter is written down to the recoverable amount. The impairment loss is recognized immediately as an expense in the income statement. An impairment loss recognized in a prior period is reversed only if changes in the estimates referred to in the determination of the recoverable amount had occurred since the last recognition of an impairment loss. If this is the case, the carrying amount of the asset is increased to its recoverable amount which, however, must not exceed the carrying amount that would have been recognized (after taking write-downs into account) if no impairment loss had been reported for the asset in previous periods. Such a reversal of impairment losses is directly recognized in the period result. After reversal of an impairment loss, the impairment expense is adjusted in future reporting periods in order to spread the adjusted carrying amount of the asset, net of any residual carrying amount, over the asset's useful life.

Goodwill is tested for impairment once a year or during the year if there are indications of impairment. In order to determine the impairment loss, the carrying amount of the cash-generating unit is compared to the recoverable amount. The recoverable amount is the fair value less selling costs of the cash-generating unit. In order to determine the fair value less selling costs, the expected future cash flows are discounted to their present value on the basis of an after-tax discounting rate that reflects current market expectations respecting the interest effect and the specific risks to which the cash-generating unit is exposed. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized which is initially posted in full at the expense of goodwill. As in the previous year, no impairment loss was recorded in the reporting year. An impairment loss recorded concerning goodwill is not reversed if the recoverable amount is increased in subsequent years.

### **Significant estimates and assumptions**

The preparation of the consolidated balance sheet is, to a certain extent, based on management's estimates and assumptions. Which include complex and subjective assessments and estimates (based on current knowledge of matters) that, by nature, are marked by uncertainty and may be subject to changes. Accounting policies characterized by a high level of estimates and assumptions may have an impact on the amount and disclosure of recognized assets and liabilities, income and expenses and on contingent liabilities. The assumptions and estimates mainly relate to assumptions concerning future cash flows (e.g. cash outflow for provisions) as well as actuarial assumptions, the Group-wide definition of useful lives, planning assumptions and discounting rates relevant for impairment tests and the determination of impairment on receivables and the realizability of deferred tax assets.

Management assesses and reviews basic assumptions and estimates on a continuous basis. As soon as changes respecting recognized assumptions deviate from expectations, the assumptions and, if required, the carrying amounts of the assets and liabilities, income and expenses concerned are adjusted.

The value of goodwill is tested once a year on the basis of cash flow forecasts derived from earnings planning. Actual developments of the cash-generating unit in future periods may deviate from the assessment made at the date of the impairment test. Regarding the carrying values and details of the valuation, refer to Note [1].

The application of the acquisition method includes the determination of the fair value of the assets acquired and liabilities assumed at the date of acquisition. To estimate the fair value of the assets acquired, the Group is required to estimate the expected future cash flows from some assets and to also select an appropriate discount rate to determine the present value of these assets.

Within the scope of measuring the brands, assumptions are made concerning the sales development, life cycles of products and licensee fees from trademark rights. The actual development in future periods may differ from the estimates made at the date the impairment tests or purchase price allocation are conducted. Regarding the carrying values and details of the valuation, refer to Note [1].

Regarding the accounting of customer bases, assumptions are made concerning customer-related sales developments, EBITDA margins and asset-specific risk surcharges. The actual development in future periods can differ from the estimates made at the date of preparation of the purchase price allocation.

Deferred tax assets are only recognized to the extent that realization of these taxes appears to be sufficiently certain, i.e. positive taxable income in future periods can be expected. The actual tax-based earnings situation in future periods may deviate from the assessment made at the date when the deferred taxes are capitalized.

Individual risk provisions for receivables are determined in consideration of the receivables' age structure and scope of credit insurance for the respective receivable on an individual case basis.

The expenses from defined benefit plans and other benefits after termination of the employment term is calculated on the basis of actuarial parameters. The actuarial calculation is based on assumptions relating to the discount rate, future salary increases, life expectancy rates and future pension increases. According to the long-term nature of these plans, such estimates are subject to certain uncertainties. Regarding the carrying values and details of the valuation, refer to Note [15].

The recognition and measurement of other provisions is based on an assessment of the probability of a future outflow of benefits, using experience values and the circumstances known as of the balance sheet date. The actual obligation may deviate from the amounts of the provisions.

At the date of consolidated financial statements preparation, the underlying assumptions and estimates were not subject to any significant risks. Consequently, from a current viewpoint, significant adjustments in the consolidated balance sheet are not to be expected.



## Explanatory Notes to the Consolidated Balance Sheet

### Non-current assets

#### [1] Intangible assets

The composition and development of intangible assets is reflected in the attached consolidated movement in fixed assets schedule:

In T€	Concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	Prepayments made	Goodwill	Total
<b>Acquisition costs</b>				
<b>As of 01/01/2019</b>	<b>564,837</b>	<b>51</b>	<b>289,330</b>	<b>854,217</b>
Currency differences	15,174	3	11,127	26,304
Additions	5,519	408	0	5,927
Additions from change in scope of consolidation	215	27	7,402	7,644
Reclassifications	1,022	0	0	1,022
Disposals	-7,432	0	0	-7,432
Disposals from change in scope of consolidation	0	0	0	0
<b>As of 12/31/2019</b>	<b>579,335</b>	<b>488</b>	<b>307,859</b>	<b>887,682</b>
<b>Accumulated amortization</b>				
<b>As of 01/01/2019</b>	<b>-268,281</b>	<b>0</b>	<b>1,113</b>	<b>-267,167</b>
Currency differences (inventory)	-5,832	0	-10	-5,842
Amortization	-31,956	0	0	-31,956
Impairment losses	-6,769	0	-1,729	-8,498
Additions from change in scope of consolidation	-153	0	0	-153
Reclassifications	0	0	0	0
Disposals	7,431	0	0	7,431
Disposals from change in scope of consolidation	0	0	0	0
Write-ups	0	0	0	0
Currency differences in current year	-580	0	0	-580
<b>As of 12/31/2019</b>	<b>-306,140</b>	<b>0</b>	<b>-626</b>	<b>-306,764</b>
Net carrying value as of 12/31/2018	296,556	51	290,443	587,050
<b>Net carrying value as of 12/31/2019</b>	<b>273,195</b>	<b>488</b>	<b>307,233</b>	<b>580,915</b>

As was the case in the preceding year, no contractual obligations relating to the acquisition of intangible assets were reported as of the balance sheet date.

Of the impairment losses in the current financial year, T€ 6,574 relate to the extraordinary write-down of the "Frijj" brand, T€ 1,729 to the full impairment of the goodwill of PepperPark GmbH and T€ 195 to software no longer in use.

In the prior year, intangible assets developed as follows:

In T€	Concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	Prepayments made	Goodwill	Total
<b>Acquisition costs</b>	<b>714,489</b>	<b>114</b>	<b>318,983</b>	<b>1,033,585</b>
<b>Balance as of 01/01/2018</b>				
Currency differences	-2,347	-2	-1,692	-4,041
Additions	8,573	80	0	8,653
Additions from change in scope of consolidation	22,381	0	1,985	24,366
Reclassifications	4,331	-141	0	4,190
Disposals	-107	0	0	-107
Disposals from change in scope of consolidation	-182,483	0	-29,946	-212,429
<b>Balance as of 12/31/2018</b>	<b>564,837</b>	<b>51</b>	<b>289,330</b>	<b>854,217</b>
<b>Accumulated amortization</b>	<b>-265,160</b>	<b>0</b>	<b>1,310</b>	<b>-263,849</b>
<b>Balance as of 01/01/2018</b>				
Currency differences (inventory)	811	0	-197	614
Amortization	-31,378	0	0	-31,378
Impairment losses	0	0	0	0
Reclassifications	0	0	0	0
Disposals	108	0	0	108
Disposals from change in scope of consolidation	19,593	0	0	19,593
Write-ups	7,538	0	0	7,538
Currency differences in current year	207	0	0	207
<b>Balance as of 12/31/2018</b>	<b>-268,281</b>	<b>0</b>	<b>1,113</b>	<b>-267,167</b>
Net carrying value as of 12/31/2017	449,329	114	320,293	769,736
<b>Net carrying value as of 12/31/2018</b>	<b>296,556</b>	<b>51</b>	<b>290,443</b>	<b>587,050</b>

The line item for "Concessions, industrial property rights and similar rights and assets and licenses in such rights and assets" breaks down as follows:

In T€	Software	Milk farm-gate prices	Brands	Customer base	Rental agreements	Others	Total
<b>Acquisition costs</b>	<b>113,052</b>	<b>3,650</b>	<b>205,322</b>	<b>202,040</b>	<b>14,917</b>	<b>25,857</b>	<b>564,837</b>
<b>As of 01/01/2019</b>							
Currency differences	3,412	0	4,958	6,028	767	10	15,174
Additions	5,489	0	0	18	0	12	5,519
Additions from change in scope of consolidation	71	0	0	0	0	145	215
Reclassifications	1,022	0	0	0	0	0	1,022
Disposals	-971	-2	-6,459	0	0	0	-7,432
<b>As of 12/31/2019</b>	<b>122,075</b>	<b>3,648</b>	<b>203,821</b>	<b>208,086</b>	<b>15,684</b>	<b>26,021</b>	<b>579,335</b>
<b>Accumulated amortization</b>	<b>-84,883</b>	<b>-2,358</b>	<b>-59,160</b>	<b>-99,223</b>	<b>-7,588</b>	<b>-15,070</b>	<b>-268,281</b>
<b>As of 01/01/2019</b>							
Currency differences (inventory)	-1,154	0	-1,970	-2,310	-390	-7	-5,832
Amortization	-11,542	-647	-5,323	-11,334	-1,609	-1,501	-31,956
Impairment losses	-195	0	-6,574	0	0	0	-6,769
Additions from change in scope of consolidation	-64	0	0	0	0	-89	-153
Disposals	971	1	6,459	0	0	0	7,431
Write-ups	0	0	0	0	0	0	0
Currency differences in current year	-205	0	-135	-190	-49	0	-580
<b>As of 12/31/2019</b>	<b>-97,071</b>	<b>-3,004</b>	<b>-66,703</b>	<b>-113,057</b>	<b>-9,636</b>	<b>-16,667</b>	<b>-306,140</b>
Net carrying value as of 12/31/2018	28,169	1,292	146,162	102,817	7,329	10,787	296,556
<b>Net carrying value as of 12/31/2019</b>	<b>25,003</b>	<b>644</b>	<b>137,118</b>	<b>95,029</b>	<b>6,048</b>	<b>9,353</b>	<b>273,195</b>

In the prior year, intangible assets developed as follows:

In T€	Software	Milk farm-gate prices	Brands	Customer base	Rental agreements	Others	Total
<b>Acquisition costs</b>	<b>105,101</b>	<b>1,830</b>	<b>361,779</b>	<b>187,899</b>	<b>29,953</b>	<b>27,926</b>	<b>714,489</b>
<b>Balance as of 01/01/2018</b>							
Currency differences	-325	0	-838	-1,063	-123	2	-2,347
Additions	6,519	1,820	0	17	0	217	8,573
Additions from change in scope of consolidation	2,958	0	4,759	14,664	0	0	22,381
Reclassifications	4,239	0	0	92	0	0	4,331
Disposals	-474	0	0	431	0	-64	-107
Disposals from change in scope of consolidation	-4,966	0	-160,378	0	-14,913	-2,226	-182,483
<b>Balance as of 12/31/2018</b>	<b>113,052</b>	<b>3,650</b>	<b>205,322</b>	<b>202,040</b>	<b>14,917</b>	<b>25,857</b>	<b>564,837</b>
<b>Accumulated amortization</b>	<b>-78,359</b>	<b>-1,783</b>	<b>-54,389</b>	<b>-88,123</b>	<b>-19,220</b>	<b>-23,285</b>	<b>-265,160</b>
<b>Balance as of 01/01/2018</b>							
Currency differences (inventory)	152	0	276	331	50	1	811
Amortization	-11,062	-575	-5,103	-11,067	-2,080	-1,491	-31,378
Impairment losses	0	0	0	0	0	0	0
Disposals	474	0	0	-430	0	64	108
Disposals from change in scope of consolidation	3,821	0	0	0	13,644	2,128	19,593
Write-ups	24	0	0	0	0	7,514	7,538
Currency differences in current year	67	0	56	66	18	0	207
<b>Balance as of 12/31/2018</b>	<b>-84,883</b>	<b>-2,358</b>	<b>-59,160</b>	<b>-99,223</b>	<b>-7,588</b>	<b>-15,070</b>	<b>-268,281</b>
Net carrying value as of 12/31/2017	26,742	47	307,390	99,776	10,733	4,641	449,329
<b>Net carrying value as of 12/31/2018</b>	<b>28,169</b>	<b>1,292</b>	<b>146,162</b>	<b>102,817</b>	<b>7,329</b>	<b>10,787</b>	<b>296,556</b>

The brands are classified to the cash-generating units (CGU) as shown below:

Brand rights in T€	12/31/2019	12/31/2018
CGU Homann	88,186 <sup>1</sup>	88,241
CGU Culina UK	45,696	47,065
CGU Müller Milk & Ingredients	3,236	10,856
<b>Total</b>	<b>137,118</b>	<b>146,162</b>

<sup>1</sup> thereof the brands: Homann T€ 65,623, Nadler T€ 14,354, Lisner T€ 4,870, Hamker T€ 920, Pfennigs T€ 895, Polarica T€ 1,008 and Hopf T€ 716

Goodwill is classified to the cash-generating units (CGU) as shown below:

Goodwill in T€	12/31/2019	12/31/2018
CGU Branch office Veenendal/the Netherlands	6,071	6,071
CGU Müller Milk & Ingredients	82,573	78,537
CGU Homann	73,845	73,795
CGU Culina UK	144,744	132,040
<b>Total</b>	<b>307,233</b>	<b>290,443</b>

The calculation of the fair values less costs to sell that is used as the recoverable amount is based on the future discounted cash flows using input parameters of Level 3 of the Fair Value Hierarchy (refer to Note [30]).

#### CGU Branch office Veenendal/the Netherlands

The goodwill impairment test of the branch office Veenendal / the Netherlands, as the cash-generating unit, is performed annually as of November 30, based on the fair value less selling costs. The impairment test for goodwill is based on medium-term planning (detail planning phase) over a five-year period. The key assumptions used for determining the recoverable amount include discounting rates, terminal value growth rates and the EBIT growth rate. The values assigned to the key assumptions are based on external and internal sources, and represent management's assessment of the cash-generating unit's future development.

The key parameters of the cash-generating unit concerning the branch office in Veenendal, the Netherlands are as follows:

Disclosures of CGU branch office Veenendal	2019	2018
Valuation date	11/30/2019	11/30/2018
Discount rate after taxes	6.20 %	5.57 %
Sustainable growth rate	1.00 %	1.00 %

As in the previous year, no impairment requirement resulted for the cash-generating unit, the branch office Veenendal, Netherlands, due to the company's positive development.

Since the fair value less costs to sell substantially exceeds the carrying amount of the cash-generating unit, no sensitivity analysis has been conducted.

#### CGU Müller Milk & Ingredients

The impairment test of the goodwill from the acquisition of Robert Wiseman Dairies plc was carried out on the basis of the CGU Müller Milk & Ingredients, which also includes the former

Wiseman business division. The goodwill impairment test is based on the fair value less costs to sell, which is estimated on the basis of discounted cash flow forecasts over a period of five years. The key assumptions used for determining the recoverable amount include discounting rates, terminal value growth rates and the EBIT growth rate. The values assigned to the key assumptions are based on external and internal sources, and represent management's assessment of the cash-generating unit's future development.

The key parameters of the CGU Müller Milk & Ingredients are as follows:

Disclosures of CGU Müller Milk & Ingredients	2019	2018
Valuation date	12/31/2019	12/31/2018
Discount rate after taxes	5.69 %	5.96 %
Sustainable growth rate	1.00 %	1.00 %

As in the previous year, no impairment requirement resulted for the cash-generating unit Müller Milk & Ingredients due to its expected development. The change in the carrying amount of the goodwill in comparison with the previous year arises from currency translation as of the rate on the current balance sheet date.

Additional scenarios respecting the above described key measurement parameters were assumed in order to validate the fair value less selling costs. To this end, management considered the possible scenarios of an increase /decrease in the discount rate after taxes or in the sustainable growth rate each by +/-1.00 %.

A change in the underlying measurement parameters would not have led to a need for impairment in any of the scenarios presented.

The impairment test of the "Friji" trademark right, which was transferred in connection with the acquisition of the milk business of Dairy Crest Ltd. to the non-current assets of Müller UK & Ireland Group on December 26, 2015, was carried out on the basis of the CGU Müller Milk & Ingredients, which includes the former Wiseman business unit and the former Dairy Crest business unit. Due to reduced earnings expectations, an impairment loss of T€ 6,574 (prior year: T€ 0) was recognized in the 2019 financial year.

### CGU Culina UK

The impairment tests for the goodwill and brands of CGU Culina UK were last conducted as of December 31, 2019. The basis of the impairment test of the goodwill of CGU Culina UK, which is based on the calculation of the value in use, is based on one of the management's approved medium-term plans over a period of three years.

The key parameters of the CGU Culina UK are as follows:

Disclosures of CGU Culina UK	2019	2018
Valuation date	12/31/2019	12/31/2018
Discount rate after taxes	8.00 %	8.00 %
Sustainable growth rate	2.50 %	2.50 %

The growth rate corresponds to the long-term average growth rate of the industry and takes into account the development of the inflation rate of the economic region.

As in the previous year, no impairment requirement resulted for the goodwill or brands for the year 2019.

Since the value in use substantially exceeds the carrying amount of the cash-generating unit, no sensitivity analysis has been conducted.

### CGU Homann

The impairment test for the goodwill and brands of CGU Homann was last performed as of September 30, 2019. The recoverable amount of the CGU Homann is determined on the basis of the fair value less selling costs by using the cash flow forecasts, which are based on management's approved financial plans over a period of five years.

The key assumptions of the CGU Homann are as follows:

Disclosures of CGU Homann	2019	2018
Valuation date	09/30/2019	12/31/2018
Discount rate after taxes	4.30 %	Period-specific between 5.52 % and 7.96 %
Sustainable growth rate	+1.00 %	-1.00 %

The growth rate corresponds to the long-term average growth rate of the industry and takes into account the development of the inflation rate of the economic region. The cash flow forecasts used to calculate the fair value less selling costs are based on a specific sales development of the CGU, which indicate growth rates of between +1.0 % and +9.2 % in the subsequent years. These sales growth rates are derived from the current business plan.

As in the previous year, no impairment requirement resulted for the goodwill or brands for the year 2019.

The management is of the opinion that no reasonably possible change in any of the key assumptions used in determining the fair value less selling costs or value in use of the cash-generating unit would cause the carrying amount of the cash-generating unit to exceed its fair value materially. To this end, the management considered the possible scenarios of an

increase /decrease in the discount rate after taxes or in the sustainable growth rate each by +/-1.00 %.

## **[2] Research and development**

The Unternehmensgruppe Theo Müller's central research and development costs are mainly attributable to the Technological Center Freising, Freising / Germany. Furthermore, research and development costs are incurred directly by individual Group companies for the development and modifications to products and product formulas. In the financial year, research and development costs amounting to T€ 16,767 (prior year: T€ 17,566) were incurred within the Group, which were reported as an expense during the reporting period as the criteria for capitalization of development costs were not met.

### [3] Property, plant and equipment

The development of property, plant and equipment is reflected in the following fixed assets movement schedule

In T€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Finance leases	Assets under construction	Total
<b>Acquisition costs</b>						
<b>As of 01/01/2019</b>	<b>791,764</b>	<b>2,091,899</b>	<b>349,945</b>	<b>25,301</b>	<b>214,573</b>	<b>3,473,482</b>
Currency differences	20,626	38,217	11,831	0	4,923	75,597
Additions	22,220	148,447	39,689	0	128,028	338,384
Post-capitalizations	40	1	0	0	0	41
Additions from change in scope of consolidation	0	0	31	0	0	31
Reclassifications under IFRS 16	0	0	0	-25,301	0	-25,301
Reclassifications	26,967	87,003	12,439	0	-119,499	6,910
Reclassifications under IFRS 5	-3,635	-2,657	-442	0	0	-6,734
Disposals	-8,130	-41,293	-27,368	0	-3,119	-79,910
Disposals from change in scope of consolidation	0	0	0	0	0	0
<b>As of 12/31/2019</b>	<b>849,852</b>	<b>2,321,617</b>	<b>386,125</b>	<b>0</b>	<b>224,906</b>	<b>3,782,499</b>
<b>Accumulated depreciation</b>						
<b>As of 01/01/2019</b>	<b>-261,978</b>	<b>-1,437,219</b>	<b>-195,002</b>	<b>-18,125</b>	<b>-241</b>	<b>-1,912,565</b>
Currency differences (inventory)	-3,897	-24,787	-5,586	0	0	-34,270
Depreciation	-19,716	-120,484	-37,056	0	0	-177,256
Impairment losses	-1,145	-38,716	-205	0	-18,285	-58,351
Post-capitalizations	-7	-1	0	0	0	-8
Additions from change in scope of consolidation	0	0	-19	0	0	-19
Reclassifications under IFRS 16	0	0	0	18,125	0	18,125
Reclassifications	0	-1,222	-2,576	0	0	-3,798
Reclassifications under IFRS 5	1,497	2,319	365	0	0	4,182
Write-ups	691	1,785	221	0	241	2,938
Disposals	6,704	36,777	25,593	0	0	69,074
Disposals from change in scope of consolidation	0	0	0	0	0	0
Currency differences in current year	-300	-1,421	-781	0	75	-2,427
<b>As of 12/31/2019</b>	<b>-278,151</b>	<b>-1,582,969</b>	<b>-215,046</b>	<b>0</b>	<b>-18,210</b>	<b>-2,094,375</b>
Net carrying value as of 12/31/2018	529,786	654,680	154,943	7,176	214,332	1,560,917
<b>Net carrying value as of 12/31/2019</b>	<b>571,701</b>	<b>738,648</b>	<b>171,079</b>	<b>0</b>	<b>206,696</b>	<b>1,688,124</b>

The impairment losses in the reporting period amount to T€ 58,351 (prior year: T€ 13,839) which relate to the impairment of certain items of property, plant and equipment to their recoverable amount. The recoverable amount is determined on the basis of the value in use.

The impairment losses of T€ 56,543 (prior year: T€ 11,710) relate to the Dairy segment and are mainly attributable to technical equipment and machinery in connection with the closure of a production site for fresh milk in Foston, England, and impairment charges on various assets due to permanent non-use. In addition, the impairment losses of T€ 1,808 (prior year: T€ 577) relate to the Deli segment.

An amount of T€ 1,022 (prior year: T€ 4,190) was reclassified from assets under construction to software.



As of the balance sheet date, contractual obligations for the acquisition of property, plant and equipment are reported in the amount of T€ 73,050 (prior year: T€ 13,786). Moreover, property, plant and equipment in the amount of T€ 0 (prior year: T€ 6,505) is pledged as collateral for financial liabilities in the reporting year.

In the prior year, intangible assets developed as follows:

In T€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Finance leases	Assets under construction	Total
<b>Acquisition costs</b>						
<b>Balance as of 01/01/2018</b>	<b>744,563</b>	<b>1,943,272</b>	<b>506,188</b>	<b>32,700</b>	<b>165,629</b>	<b>3,392,352</b>
Currency differences	-3,589	-6,274	-1,597	-243	-862	-12,565
Additions	33,281	97,530	47,501	48	199,698	378,058
Additions from change in scope of consolidation	4,751	17,322	3,464	0	0	25,537
Reclassifications	32,598	81,599	23,353	-4,045	-137,725	-4,220
Reclassifications under IFRS 5	-7,229	0	0	0	0	-7,229
Disposals	-1,948	-31,802	-30,760	-3,159	-11,309	-78,978
Disposals from change in scope of consolidation	-10,663	-9,748	-198,204	0	-858	-219,473
<b>Balance as of 12/31/2018</b>	<b>791,764</b>	<b>2,091,899</b>	<b>349,945</b>	<b>25,301</b>	<b>214,573</b>	<b>3,473,482</b>
<b>Accumulated depreciation</b>						
<b>Balance as of 01/01/2018</b>	<b>-262,932</b>	<b>-1,374,900</b>	<b>-332,156</b>	<b>-19,610</b>	<b>-351</b>	<b>-1,989,949</b>
Currency differences (inventory)	809	4,280	834	139	0	6,062
Depreciation	-19,310	-106,145	-42,644	-3,554	1	-171,652
Impairment losses	-947	-881	-1,720	0	-10,291	-13,839
Additions from change in scope of consolidation	-223	-9,598	-1,033	0	0	-10,854
Reclassifications	-17	-724	-1,878	2,649	0	30
Reclassifications under IFRS 5	5,210	0	0	0	0	5,210
Write-ups	10,289	17,112	2,433	0	270	30,104
Disposals	1,703	25,747	29,794	2,218	10,131	69,593
Disposals from change in scope of consolidation	3,318	7,440	151,134	0	0	161,892
Currency differences in current year	122	450	234	33	-1	838
<b>Balance as of 12/31/2018</b>	<b>-261,978</b>	<b>-1,437,219</b>	<b>-195,002</b>	<b>-18,125</b>	<b>-241</b>	<b>-1,912,565</b>
Net carrying value as of 12/31/2017	481,631	568,372	174,032	13,090	165,278	1,402,403
<b>Net carrying value as of 12/31/2018</b>	<b>529,786</b>	<b>654,680</b>	<b>154,943</b>	<b>7,176</b>	<b>214,332</b>	<b>1,560,917</b>

#### **[4] Real estate held as investment property**

The Group holds a real estate mix of commercial and residential property that is held as investment property as defined under IAS 40. The investment property is located in the center of Saxony's capital city Dresden, Germany, in a good residential area and a 1b commercial area. The carrying value of this investment property amounted to T€ 22,880 as of December 31, 2019 (prior year: T€ 23,346). The fair value of T€ 56,900 (prior year: T€ 56,900) was determined by an expert appraiser on the basis of comparable market rents and a valuation model (capitalized earnings value) pursuant to a Real Estate Valuation Decree (ImmoWertV) as of the valuation date on January 3, 2019 (ImmoWertV).

Rental income in the amount of T€ 2,792 (prior year: T€ 2,726) was generated from the investment property. The expenses associated with the generation of revenues amounted to T€ 762 in 2019 (prior year: T€ 773).

In the reporting year, investment property in the amount of T€ 0 (prior year: T€ 15,500) was pledged as collateral for financial liabilities.

The carrying value of the investment property developed as follows:

In T€	Real estate held as investment property
Acquisition cost as of 01/01/2019	27,111
Additions	0
<b>Balance as of 12/31/2019</b>	<b>27,111</b>
Accumulated depreciation as of 01/01/2019	3,765
Additions	466
<b>Balance as of 12/31/2019</b>	<b>4,231</b>
Net carrying value as of 12/31/2018	23,346
<b>Net carrying value as of 12/31/2019</b>	<b>22,880</b>

### **[5] Investments accounted for at equity**

The companies shown below have been accounted for at equity:

In T€	12/31/2019	12/31/2018
IPS at Eddie Stobart Ltd., Market Drayton / England <sup>1</sup>	221	240
Culina Logistics Ireland Ltd., Dublin / Ireland <sup>1</sup>	0	0
Organext Life Science B.V., Arnheim / Netherlands <sup>2</sup>	450	300
<b>Investments accounted for at equity</b>	<b>671</b>	<b>540</b>

<sup>1</sup> Joint venture

<sup>2</sup> Associated company

The table below shows summarized information for the joint ventures, which, individually, are immaterial:

In T€	12/31/2019	12/31/2018
Group's share in gains / losses from continued operations	-18	167
Group's share in other comprehensive income	-1	-1
Group's share in total comprehensive income	-19	166
Currency differences	0	0
<b>Net carrying value of the Group's share in these companies</b>	<b>221</b>	<b>240</b>

The table below shows summarized information for the associated companies, which, individually, are immaterial:

In T€ (Basis: most recent financial statements available)	12/31/2019	12/31/2018
Group's share in gains / losses from continued operations	0	0
Group's share in other comprehensive income	0	0
Group's share in total comprehensive income	0	0
<b>Net carrying value of the Group's share in these companies</b>	<b>450</b>	<b>300</b>

## [6] Financial assets

The movement in non-derivative financial assets in the reporting year and in the previous period is as follows:

In T€	Investments	Other financial assets	Securities under non-current assets	Loans
<b>Acquisition costs</b>				
<b>As of 01/01/2019</b>	<b>2,738</b>	<b>1,426</b>	<b>48,129</b>	<b>25,362</b>
Currency differences	102	3	0	64
Additions	1,407	10	17,694	21,512
Reclassifications	0	0	0	-1,750
Disposals	-22	-73	-10,614	-6,652
<b>As of 12/31/2019</b>	<b>4,224</b>	<b>1,366</b>	<b>55,209</b>	<b>38,537</b>
<b>Accumulated write-downs / reversals</b>				
<b>As of 01/01/2019</b>	<b>-31</b>	<b>-64</b>	<b>22,367</b>	<b>-5,812</b>
Currency differences	0	0	0	0
Write-downs (-) / reversals (+)	0	0	2,357	0
Changes in fair value (no effect to profit or loss)	0	0	0	0
Reclassifications	0	0	0	0
Disposals	0	0	0	-68
<b>As of 12/31/2019</b>	<b>-31</b>	<b>-64</b>	<b>24,724</b>	<b>-5,880</b>
Net carrying value as of 12/31/2018	2,707	1,362	70,496	19,550
<b>Net carrying value as of 12/31/2019</b>	<b>4,193</b>	<b>1,302</b>	<b>79,933</b>	<b>32,656</b>

  

In T€	Investments	Other financial assets	Securities under non-current assets	Loans
<b>Acquisition costs</b>				
<b>Balance as of 01/01/2018</b>	<b>4,949</b>	<b>1,742</b>	<b>108,012</b>	<b>21,491</b>
Currency differences	28	2	0	148
Additions	26	31	39,400	5,363
Reclassifications	-1,445	0	-9,162	8,517
Disposals	-820	-349	-90,121	-10,157
<b>Balance as of 12/31/2018</b>	<b>2,738</b>	<b>1,426</b>	<b>48,129</b>	<b>25,362</b>
<b>Accumulated write-downs / reversals</b>				
<b>Balance as of 01/01/2018</b>	<b>1,039</b>	<b>-64</b>	<b>11,584</b>	<b>-5,802</b>
Currency differences	0	0	0	0
Write-downs (-) / reversals (+)	0	0	0	0
Changes in fair value (no effect to profit or loss)	0	0	0	0
Reclassifications	-1,039	0	10,783	0
Disposals	-31	0	0	-10
<b>Balance as of 12/31/2018</b>	<b>-31</b>	<b>-64</b>	<b>22,367</b>	<b>-5,812</b>
Net carrying value as of 12/31/2017	5,988	1,678	119,596	15,689
<b>Net carrying value as of 12/31/2018</b>	<b>2,707</b>	<b>1,362</b>	<b>70,496</b>	<b>19,550</b>

Bre Holding AG, Zug / Switzerland, is reported as a participating interest in the amount of T€ 2,760 (prior year: T€ 2,658) due to the lack of significant influence on the basis of the Articles of Incorporation.

As of the balance sheet date, other financial assets mainly include unpledged plan assets in the amount of T€ 1,207 (prior year: T€ 1,270) and rental deposits in the amount of T€ 95 (prior year: T€ 91).

The securities under non-current assets largely contain assets within the context of asset management in the amount of T€ 79,933 as of December 31, 2019 (prior year: T€ 70,496).

Loans include promissory notes, loans to farmers, employee loans and loans granted to third-parties in the amount of T€ 32,656 (prior year: T€ 19,550), that were extended at normal market terms. The agreed interest rates for employee loans and loans to farmers range between 0.0% and 4.5%. One loan to third-parties accrues interest on the basis of 3-month Euribor plus a margin.

Non-current financial assets contain diverse forward exchange contracts with maturities until July 2022 and are used to hedge the loan repayment of the *USPP* bonds at a positive fair value of T€ 25,203 (prior year: T€ 15,620).

#### **[7] Other non-current assets**

Other non-current assets are broken down as follows:

<b>In T€</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Credit balances for early retirement	3,032	2,044
Other	975	0
<b>Total</b>	<b>4,007</b>	<b>2,044</b>

## **Current assets**

### **[8] Inventories**

Inventories are broken down as follows:

<b>In T€</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Raw materials and supplies	157,718	150,173
Work in progress	17,829	16,556
Finished goods and merchandise	127,120	135,280
<b>Total</b>	<b>302,667</b>	<b>302,009</b>

In 2019, the write-downs of inventories to the net realizable value amount to T€ 12,698 (prior year: T€ 15,305) and are allocated to the individual inventories as follows:

<b>In T€</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Raw materials and supplies	7,845	6,559
Work in progress and finished goods and merchandise	4,853	8,746
<b>Total</b>	<b>12,698</b>	<b>15,305</b>

The change in write-downs is reported as an expense in the respective reporting period.

The amount of inventories recognized as an expense during the period is T€ 3,581,517 (prior year restated: T€ 3,583,890).

### **[9] Trade accounts receivable**

Information concerning the extent of credit risks arising from trade accounts receivables is provided in the table under: Risk management / Credit risk Note [30]. All income and expenses from write-downs and derecognition of trade accounts receivables are disclosed under other operating income or expenses.

### **[10] Other financial assets**

Other financial assets include the following items:

<b>In T€</b>	<b>12/31/2019</b>	<b>12/31/2018</b>
Cash pooling receivables from general partner company	23,222	0
Derivatives (FVTPL)	2,297	18,088
Loans (AC)	377	184
<b>Total</b>	<b>25,896</b>	<b>18,272</b>

Derivatives included in other financial assets, where the respective changes in value are recognized in the income statement, are specified in more detail under: Financial Instruments Note [30].

**[11] Other receivables**

Other receivables are broken down as follows:

In T€	12/31/2019	12/31/2018
Input tax / withholding tax	19,273	45,930
Electricity tax / energy tax refund	11,284	9,505
Input tax deductible in the following month	10,050	7,227
Creditors with a debit balance	3,812	4,458
Advertising cost allowances / bonus receivables	1,677	2,451
Prepayments made to suppliers	1,451	1,268
Other	15,124	12,316
<b>Total</b>	<b>62,671</b>	<b>83,155</b>

**[12] Other assets**

Other assets include the following items:

In T€	12/31/2019	12/31/2018
Prepaid expenses and deferred charges	29,820	30,774
<b>Total</b>	<b>29,820</b>	<b>30,774</b>

**[13] Non-current assets held for sale**

In the 2019 financial year, assets were again transferred from fixed assets to non-current assets held for sale in the amount of T€ 2,552. In the course of the 2019 financial year, assets with a carrying amount of T€ 4,506 were sold. Regarding the other assets held for sale with a value of T€ 3,038 reported as of the end of the financial year, a sale is expected to take place in January 2020. The assets are being actively offered on the market, so that a sale is expected in 2020.

The investment in International Dairies Corporation B.V., Amsterdam, Netherlands, which was accounted for using the equity method, was sold on February 11, 2019 with a carrying amount of T€ 2,000.

Pursuant to IFRS 5, the non-current assets held for sale have been written-down to their fair value less costs to sell in the amount of T€ 3,038. In the 2019 financial year, the reclassification resulted in an impairment loss of T€ 354 and an impairment loss of T€ 1,593 for assets already classified as assets held for sale.

The fair value less costs to sell refers to non-recurring fair values based on estimates by third parties according to observable market prices or confirmed by active sales negotiations. Therefore, the fair values are classified to Level 2 of the fair value hierarchy.

**[14] Equity**

Limited partner capital discloses the fully paid-in limited partner shares of Unternehmensgruppe Theo Müller S.e.c.s. in the amount of T€ 1,201 as of December 31, 2019 (prior year: T€ 1,201).

As of the balance sheet date, Mr. Theobald Müller, as a limited partner, directly and indirectly held 94.00% of the shares in Unternehmensgruppe Theo Müller S.e.c.s. The limited partner capital in the amount of € 1,200,999.99 comprises of 120,099,999 shares with a par value of € 0.01 per share. The shares are classified as follows:

	Amount / quantity
Limited partner capital	1,200,999.99
Number of shares – Class A	1
Par value per share – Class A	0.01 €
Number of shares – Class B	120,099,998
Par value per share – Class B	0.01 €

The class A and B shares are identical in terms of rights and requirements.

The CPECs issued qualify as equity of Unternehmensgruppe Theo Müller S.e.c.s., because, with respect to the holder, there is no claim for repayment of the capital made available to the Company in the form of liquid assets.

The holders of the CPECs are entitled to a performance-related compensation (yield) at the end of each financial year, which is based on the return from assets (underlying returns) financed by the CPECs and calculated from the underlying returns less a margin and costs. Based on its own discretion, the company can settle the yield through the payment of cash or issuance of new CPECs. In addition, the CPECs do not provide the holder with any voting rights and are subordinate to all liabilities of the company to third parties.

The margin is based on the average value of the CPECs of the financial year. In the reporting period, the performance-related compensation (*yield*) from the CPECs amounted to T€ 87,457 in 2019. The *yield* was settled against the issuance of new CPECs to Mr. Theobald Müller in an equivalent amount.

Should losses arise in the CPEC class, Mr. Theobald Müller as the holder of the CPECs and the Unternehmensgruppe Theo Müller S.e.c.s. would sign a receivables waiver agreement with a recovery clause (so-called waiver) in which Mr. Müller would be obligated to waive a certain number of CPECs. The amount of the waived receivables would correspond to the losses from the CPEC class (before the receivables waiver) plus a margin. The number of CPECs of the respective class would then reduce the other revenue reserves by way of a correction within equity and without an effect to profit or loss. When it is determined at the end of the following year that the income from the respective CPEC class is sufficient to reactivate the CPECs in whole or in part, which were the subject matter of the receivables waiver agreement, a corresponding number of CPECs of the respective class will be issued anew.

Capital accounts II record the profit shares, other contributions and withdrawals attributable to the shareholders in accordance with the Articles of Incorporation. Other contributions and withdrawals pursuant to Article 19 (5) of the Articles of Incorporation are recognized to the Capital Account II in the amount of T€ +24,688 (prior year: T€ +1,634) and within the scope of the profit appropriation for 2018 in the amount of T€ +3,500 (prior year: T€ +25,500). Withdrawals of T€ -11,507 (prior year: T€ -6,271) resulted in a total increase of T€ 16,681



(prior year: T€ 20,863) in the balance of capital accounts II of the limited partners in the course of the year.

In addition to conversion differences from currency translation of T€ -109,392 (prior year: T€ -146,604), reserves include the statutory reserve of T€ 30,284 (prior year: T€ 19,504) and other revenue reserves of T€ 765,291 (prior year: T€ 794,804). The latter includes the profits generated by the Unternehmensgruppe Theo Müller and transferred to other revenue reserves, partner withdrawals and contributions as well as recognition and measurement differences from applying the IFRS accounting standards. Moreover, items that are recognized directly in equity capital include actuarial gains and losses in the amount of T€ -22,149 (prior year: T€ -15,686).

The following table shows the tax effects of income and expenses directly recognized in equity for the period from January 1 to December 31:

In T€	2019			2018		
	Before income taxes	Income taxes	After income taxes	Before income taxes	Income taxes	After income taxes
Changes from currency translation	37,960	0	37,960	-5,290	0	-5,290
Actuarial gains / losses from defined benefit plans	-13,129	4,621	-8,508	-2,837	1,929	-908
<b>Income and expenses recorded in equity ("other comprehensive income") with no effect on profit/loss</b>	<b>24,831</b>	<b>4,621</b>	<b>29,452</b>	<b>-8,127</b>	<b>1,929</b>	<b>-6,198</b>

### **[15] Pension provisions**

The Unternehmensgruppe Theo Müller has defined contributions (refer to accounting and valuation policies) as well as defined benefit pension plans that predominantly relate to the German companies in the continued operations of the dairy products and Deli business segments.

#### **Defined benefit pension plans of the Dairy segment**

The pension scheme of the dairy products segment is based on a defined benefit plan and limited to the German companies. The defined benefit plan is largely based on pension commitments by way of deferred compensation. Employees waive parts of their variable gross salaries and the Group grants them a pension commitment of the same value which, from the very beginning, is legally non-forfeitable. The pension plan provides for a capital payment upon reaching the age limit or in the event of death or payment by instalments of up to ten instalments. Financing is undertaken externally via one reinsurance company which determines the amount of the insurance capital, dependent on the amounts converted. Consequently, the amount respecting reinsurance is consistent with the amounts converted.

Unternehmensgruppe Theo Müller as the beneficial owner, pledges the claims from reinsurance to the entitled persons in order to secure the pension claims. Furthermore, insolvency insurance by the pension guarantee association [Pensions-Sicherungsverein] concerning vested pension rights is legally prescribed.

The plan assets consist of reinsurance policies. Due to the diversification of the insurer's assets and the back-up mechanisms of German insurance companies, Unternehmensgruppe Theo Müller is not exposed to a special risk in this context.

In some cases pension commitments depending on the pensionable annual salary have been made. The German commitments are subject to the legal provisions stipulated in the German Occupational Retirement Provision Act [Betriebsrentengesetz] and are therefore subject to a pension adjustment requirement (inflation risk) at three-year intervals.

#### **Defined benefit pension plans of the Deli segment**

In addition, the Deli segment has defined benefit pension plans for employees on retirement. The employees could only participate in the defined benefit plans if they were members before July 31, 2000 of the Hamburg Pensionskasse von 1905 VVaG, Hamburg / Germany, or previously of Berolina VVaG, Hamburg / Germany. Another pension scheme was concluded as of January 31, 2003. Furthermore, there are employees entitled to pension claims due to individual commitments. The plan assets consist of bonded collective insurance agreements to the beneficiaries. The expected net yield from these pension plans is based on the interest charges of the insurer.

in T €	Reconciliation of the pension obligation	Reconciliation of plan assets	Net liability/ asset
<b>01/01/2019</b>	<b>77,465</b>	<b>22,202</b>	<b>55,263</b>
Current service cost	1,693	-	1,693
Past service costs and gains/losses from settlements	0	-	0
Net interest cost /income	1,284	194	1,090
<b>Total amount recognized in the income statement</b>	<b>2,977</b>	<b>194</b>	<b>2,783</b>
Remeasurements	13,503	354	13,149
<i>thereof income from plan assets excluding income reported in net interest</i>	-	354	-354
<i>thereof from the change in financial assumptions</i>	13,466	-	13,466
<i>thereof from the change in demographic assumptions</i>	22	-	22
<i>thereof adjustments based on experience</i>	15	-	15
<i>thereof asset ceiling</i>	-	-	-
<b>Total amount recognized in other comprehensive income</b>	<b>13,503</b>	<b>354</b>	<b>13,149</b>
Employers' contributions to plan assets	-	946	-946
Benefits paid from the plan	-1,915	-230	-1,685
Currency differences in foreign plans	239	191	48
Disposals from the consolidated group	-	-	-
Other transfers	0	31	-31
<b>12/31/2019</b>	<b>92,269</b>	<b>23,688</b>	<b>68,581</b>

in T €	Reconciliation of the pension obligation	Reconciliation of plan assets	Net liability/ asset
<b>01/01/2018</b>	<b>139,306</b>	<b>18,227</b>	<b>121,079</b>
Current service cost	2,292	-	2,292
Past service costs and gains/losses from settlements	3,632	-	3,632
Net interest cost /income	2,415	163	2,252
<b>Total amount recognized in the income statement</b>	<b>8,339</b>	<b>163</b>	<b>8,176</b>
Remeasurements	3,249	393	2,856
<i>thereof income from plan assets excluding income reported in net interest</i>	-	393	-393
<i>thereof from the change in financial assumptions</i>	-362	-	-362
<i>thereof from the change in demographic assumptions</i>	1,406	-	1,406
<i>thereof adjustments based on experience</i>	2,205	-	2,205
<i>thereof asset ceiling</i>	-	-	-
<b>Total amount recognized in other comprehensive income</b>	<b>3,249</b>	<b>393</b>	<b>2,856</b>
Employers' contributions to plan assets	-	928	-928
Benefits paid from the plan	-3,610	877	-4,487
Currency differences in foreign plans	100	72	28
Disposals from the consolidated group	-71,390	-	-71,390
Other transfers	1,471	1,542	-71
<b>12/31/2018</b>	<b>77,465</b>	<b>22,202</b>	<b>55,263</b>

The amount of benefits within the scope of pension commitments granted by the Unternehmensgruppe Theo Müller is contingent on the development of the insurance benefit of the insurance concerned, which is aligned to the guaranteed return and annual surplus yield. In the financial year, the guaranteed interest was between 0.4% and 4.00%.

The measurement of the pension obligation depends primarily on the following parameters:

**Actuarial assumptions (pension commitments through pay reductions)**

<i>Dairy, Deli and Services business segments</i>	<b>12/31/2019</b>	<b>12/31/2018</b>
Interest rate	0.19%, 0.80%, 0.82%	0.80%, 0.81%, 2.17%
Biometric assumptions	Heubeck Life Expectancy Tables 2018G, BVG2015 GT	Heubeck Life Expectancy Tables 2018G, BVG2015 GT

**Actuarial assumptions (pension commitments without pay reductions)**

<i>Deli business segment</i>	<b>12/31/2019</b>	<b>12/31/2018</b>
Interest rate	0.82%	2.17%
Biometric assumptions	Heubeck RT 2018G	Heubeck RT 2018G

**Allocation of the fair value of plan assets to asset categories**

<i>In %</i>	<b>12/31/2019</b>	<b>12/31/2018</b>
Reinsurance (cannot be derived from market prices)	100	100

The line item for "other transfers" primarily includes reinsurance policies that are reported as plan assets due to pledges in the 2019 financial year. Quoted market prices regarding reinsurance companies are not available on an active market. The fair values are determined by the insurance companies.

The Unternehmensgruppe Theo Müller does not profit from excess allocation as the plan asset surpluses are available to the employees.

The Unternehmensgruppe Theo Müller has identified the actuarial interest rate and biometrics as significant measurement parameters. Due to the commitment structure, the actuarial measurement parameter for the pension trend is not to be regarded as significant. The following sensitivity analysis indicates how the present value of the pension obligation would change in the event of a possible change in the interest rate or biometrics as of the balance sheet date. The sensitivity analysis is applicable only to the present value of the pension obligation and not to the net obligation as the latter also includes, in addition to the actuarial assumptions, the plan assets measured at fair value. Because of the different pension plans, a sensitivity analysis of the interest rate and biometrics for each business segment was determined.

<b>In T€</b>	<b>12/31/2019</b>		
	Pension obligation	if pos. change	if neg. change
Interest rate (+/-50 basis points)			
(Dairy segment)	22,142	21,521	22,791
Interest rate (+/-50 basis points)			
(Deli segment)	62,501	57,265	68,478
Interest rate (+/-25 basis points)			
(Services segment)	7,626	7,170	7,758
Life expectancy (+ 1 year)			
(Dairy segment)	22,142	22,142	—
Life expectancy (+ 1 year)			
(Deli segment)	62,501	62,501	—
Life expectancy (+ 1 year)			
(Services segment)	7,626	7,536	—

<b>In T€</b>	<b>12/31/2018</b>		
	Pension obligation	if pos. change	if neg. change
Interest rate (+/-50 basis points)			
(Dairy segment)	21,443	20,812	22,089
Interest rate (+/-50 basis points)			
(Deli segment)	49,689	45,879	54,006
Interest rate (+/-25 basis points)			
(Services segment)	6,333	5,950	6,438
Life expectancy (+ 1 year)			
(Dairy segment)	21,443	21,443	—
Life expectancy (+ 1 year)			
(Deli segment)	49,689	49,689	—
Life expectancy (+ 1 year)			
(Services segment)	6,333	6,254	—

The sensitivity analysis is based on realistically possible changes and was performed analogous with the original measurement, i.e., using the projected unit credit method. Neither the measurement systematics nor the derivation of underlying actuarial assumptions have changed in comparison with the previous year.

The Unternehmensgruppe Theo Müller's pension commitments primarily include reinsured commitments. The financing performance respecting the insurance policies concluded and the pension benefits are matched to each other.

<b>Expected amounts or allowances to the plan assets in the coming reporting period</b>		
<b>In T€</b>	<b>2020</b>	<b>2019</b>
Amounts or allowances	1,234	690

Plan participants and information concerning the maturity profile (undiscounted benefit payments)		
In years	2019	2018
Average capital commitment period of the total pension obligation portfolio		
Dairy segment	6	7
Deli segment	18	17
Services segment	16	16

  

Expected benefit payments		
In T€	2019	2018
2019	—	5,363
2020	2,081	2,261
2021	7,096	3,642
2022	2,926	2,888
2023	2,669	2,646
2024 (prior year: 2024 - 2028)	5,381	18,256
2025 – 2029	16,034	—

A major portion of the benefits paid is financed from reinsurance policies.

#### [16] Other provisions (non-current and current)

The other non-current and current provisions developed as follows:

In T€	Carried forward as of 01/01/2019	Currency differences Beginning balance	Consumption/Utilization	Additions	Re-classifications	Disposals from consolidated group	Releases	Compounded interest	Currency difference CY	Balance at 12/31/2019	Thereof Residual term > 1 year
<b>Personnel</b>	30,717	362	-20,623	33,806	0	0	-2,258	36	0	42,040	15,454
- Long service	3,422	0	-261	562	0	0	-4	22	0	3,741	3,468
- early retirement	3,308	0	-1,115	2,289	0	0	0	14	0	4,496	2,769
- other Personnel liabilities	23,987	362	-19,247	30,955	0	0	-2,254	0	0	33,803	9,217
<b>Other</b>	22,121	363	-8,146	11,831	0	29	-4,494	0	0	21,704	665
- litigation	1,262	13	-256	1,195	0	0	-65	0	0	2,149	0
- onerous contracts	2,344	0	-2,344	615	0	0	0	0	0	615	0
- cases of damages	2,588	109	-355	719	0		-694	0	2	2,369	0
- restoration obligations	2,467	126	-1,333	2,007	0	0	0	0	0	3,267	15
- miscellaneous	13,460	115	-3,858	7,295	0	29	-3,735	0	-2	13,304	650
						0					
<b>Total</b>	<b>52,838</b>	<b>725</b>	<b>-28,769</b>	<b>45,637</b>	<b>0</b>	<b>29</b>	<b>-6,752</b>	<b>36</b>	<b>0</b>	<b>63,744</b>	<b>16,119</b>

The provisions for other personnel liabilities mainly include provisions for special payments and variable remuneration amounting to T€ 18,642 (prior year: T€ 18,599) and provisions in connection with restructuring amounting to T€ 14,752 (prior year: T€ 4,186).

The calculation of the provisions for long-service awards is based on discount rates ranging between 0.19% and 0.82% (prior year: 0.71% and 2.17%). The time period of the cash

outflows arising herefrom is estimated to be constant during the next ten years. Uncertainties about the amount of these cash outflows mainly relate to future fluctuations and life expectancies.

The calculation of the provisions for semi-retirement is based on discount rates ranging between 0.18% and 0.82% (prior year: 0.00% and 2.17%). The time period of the cash outflows arising herefrom is estimated to be constant over the next years. Uncertainties about the amount of these cash outflows mainly relate to the life expectancies.

Other provisions include miscellaneous provisions amounting to T€ 3,604 (prior year: T€ 4,721) for additional payments to milk suppliers. The provision for additional milk payments is due to the fact that the final farm-gate price for milk is usually not available at the balance sheet preparation date and must be estimated. The extreme fluctuations of milk prices make this estimation even more difficult. The item "Miscellaneous" also includes provisions in the amount of T€ 1,933 (prior year: T€ 2,450) recognized for the obligation to return CO<sub>2</sub> emission rights corresponding to the projected CO<sub>2</sub> emissions in 2019.

The provisions recognized are factual and legal obligations and their maturity can be reliably estimated. The amount of the provisions was determined on the basis of the best possible estimate.

**[17] Financial liabilities and other financial liabilities (non-current and current)**

In T€	12/31/2019	12/31/2018
<b>Financial liabilities, non-current</b>	<b>416,385</b>	<b>407,067</b>
Liabilities to banks	260,800	252,043
USPP bonds	155,578	152,529
Others	7	2,495
<b>Other financial liabilities, non-current</b>	<b>422</b>	<b>870</b>
Derivatives	128	592
Others	294	278
<b>Financial liabilities, current</b>	<b>269,103</b>	<b>235,597</b>
Liabilities to banks	219,631	118,975
Liabilities from loans	45,000	0
Loans from related parties	2,469	2,436
USPP bonds	0	111,092
Others	2,003	3,094
<b>Other financial liabilities, current</b>	<b>1,854</b>	<b>7,007</b>
Derivatives	1,854	219
Liabilities from cash pooling to general partner company	0	6,788

**[18] Other liabilities**

In T€	12/31/2019	12/31/2018
Bonus, reimbursements	95,440	111,284
Personnel obligations	39,636	22,281
Invoices outstanding	35,661	55,697
Advertising cost subsidies	34,437	29,486
Trade fairs, commissions, special offer discounts, promotions	31,565	50,571
Liabilities from other taxes	25,231	35,216
Deferred income	9,494	30,161
Liabilities to social security agencies	9,094	11,997
Marketing	8,054	2,033
Transportation allowance	5,324	1,868
Consulting and year-end closing costs	3,585	1,815
Interest-related liabilities	3,196	4,796
Listing costs	1,263	1,480
Other	76,828	38,327
<b>Total</b>	<b>378,808</b>	<b>397,012</b>

**[19] Current income tax liabilities**

In T€	12/31/2019	12/31/2018
Corporate income tax or similar foreign income tax	9,463	6,783
Trade tax	7,062	1,950
<b>Total</b>	<b>16,525</b>	<b>8,733</b>



## Explanatory Notes to the Consolidated Income Statement

### [20] Sales revenues

In T€	2019	2018
from the sale of goods	5,010,728	4,974,728
from the rendering of services	688,465	617,927
from usage fees, licenses	3,251	2,876
<b>Total</b>	<b>5,702,444</b>	<b>5,595,531</b>

The Group's sales revenues predominately relate to the sale of goods in Germany and other European countries as well as the rendering of services and are allocated to the following categories:

Sales revenues by category in T€	2019	2018
Dairy products	4,196,296	4,157,230
Deli	633,541	647,953
Others	872,607	790,348
<b>Total</b>	<b>5,702,444</b>	<b>5,595,531</b>

### [21] Other operating income

Breakdown of other operating income:

In T€	2019	2018
Income from currency differences	142,548	63,295
Income from the release of provisions and other liabilities	35,024	55,733
Income from the disposal of non-current assets	6,324	1,604
Income from own work capitalized	5,479	4,195
Income from rents and leases	3,368	3,427
Income from compensation for damage claims / penalties	3,254	5,012
Franchise revenues	2,860	2,634
Income from the release of valuation allowances on receivables	462	820
Others	33,253	66,338
<b>Total</b>	<b>232,572</b>	<b>203,058</b>

The item Others mainly includes commission income from del credere agreements amounting to T€ 4,990 (prior year: T€ 5,884) and income from CHP refunds amounting to T€ 2,378 (prior year: T€ 4,855). In the previous year, income of T€ 37,631 from write-ups in the Deli segment was included in the item Others.

**[22] Cost of materials**

In T€	2019	2018
Cost of raw materials and supplies and of purchased merchandise	-3,247,385	-3,239,725
Cost of purchased services	-250,331	-262,206
<b>Total</b>	<b>-3,497,716</b>	<b>-3,501,931</b>

**[23] Personnel expenses**

In T€	2019	2018
Wages and salaries	-1,087,958	-1,013,548
Other personnel expense	-40,434	-41,270
<b>Total</b>	<b>-1,128,392</b>	<b>-1,054,818</b>

The personnel expense for defined contribution plans amounts to T€ -19,228 (prior year: T€ -15,260). In addition, employer contributions made to the statutory pension insurance agency are recognized in the income statement. These relate to an amount of T€ -644 (prior year: T€ -260) Luxembourg, to an amount of T€ -21,373 (prior year: T€ -20,618) Germany and to an amount of T€ -25,845 (prior year: T€ -25,215) other foreign countries.

**[24] Other operating expenses**

Other operating expenses are broken down as follows:

In T€	2019	2018
Energy	-176,802	-175,358
Losses from currency differences	-139,898	-65,540
Maintenance	-139,368	-128,891
Logistics costs	-116,186	-114,957
Contributions, rent, insurance	-85,697	-134,166
Supplies	-83,800	-81,960
Advertising costs	-53,550	-62,393
Consulting costs	-41,405	-44,827
Selling overheads	-19,335	-16,932
Leaseholds	-6,795	-5,931
Other overhead costs	-67,972	-69,381
<b>Total</b>	<b>-930,808</b>	<b>-900,336</b>

## **[25] Other financial result**

The other financial result mainly includes the following items:

In T€	2019	2018
Income (+) / expense (-) from foreign currency valuation	48,097	-4,973
Currency gains (+) / losses (-) from hedging transactions	-7,412	18,544
Currency gains (+) / losses (-) from measurement of USPP bond	-5,051	-11,935
Gains (+) / losses (-) from securities (equity instruments)	668	1,708
Gains (+) / losses (-) from securities (debt instruments)	1,689	6,428
Gains (+) / losses (-) from securities held for trading	0	-883
Write-ups (-) / write-downs (+) on disagios using the effective interest rate method	-150	-90
Measurement of financial assets	-633	-70
Dividend income	1,855	1,077
Investment income	15	20
Financing fees and other expenses (-) and income (+)	-12	-9
<b>Total</b>	<b>39,066</b>	<b>9,817</b>

## **[26] Taxes on income**

This item refers to both current and deferred taxes. Income taxes within the Unternehmensgruppe Theo Müller are structured as follows:

In T€	2019	2018
Current taxes	-44,915	-28,647
Trade tax	-16,681	-8,507
Corporate income tax	-28,234	-20,140
Deferred taxes	72,289	-3,673
<b>Total</b>	<b>27,374</b>	<b>-32,320</b>

Income taxes include tax back payments (-) / refunds (+) relating to previous years in the amount of T€ +21,430 (prior year: T€ -4,917).

Changes in the items concerning deferred tax assets and deferred tax liabilities include an amount of T€ 7,784 (prior year: T€ -1,789), which is directly credited or debited to equity. This relates to the recognition of actuarial gains and losses of pension commitments amounting to T€ 4,621 (prior year: T€ 1,929), the recognition of transitional effects from IFRS changes in standards amounting to T€ 2,870 (prior year: T€ 0) and the effect of currency translation of deferred taxes amounting to T€ 293 (prior year: T€ -141). In addition, the change results from additions to the scope of consolidation amounting to T€ 0 (prior year: T€ -4,156) and from disposals from the scope of consolidation amounting to T€ 0 (previous year: T€ 34,583).

The table below presents a reconciliation of consolidated earnings before income taxes to the income tax expense:

In T€	2019	2018
<b>Period net result before income taxes</b>	<b>64,626</b>	<b>130,500</b>
Applicable tax rate (trade tax)	6.75 %	6.75 %
<b>Expected income tax expense</b>	<b>-4,362</b>	<b>-8,809</b>
<b>Tax effect from different income tax rates</b>		
Tax effect from change in tax rate	273	849
Tax effect from deviations arising from different income tax rates	17,602	-46,474
<b>Tax effect from different tax measurement bases</b>		
Tax effect from tax-free income	43,089	61,444
Tax effect from non-deductible expenses	-72,988	-53,862
<b>Recognition and measurement of deferred tax assets</b>		
Value adjustments for deferred tax assets	5,048	-14,013
Tax effect from tax expenses/income relating to other accounting periods	39,052	28,256
<b>Others</b>	<b>-340</b>	<b>289</b>
<b>Reported taxes on income</b>	<b>27,374</b>	<b>-32,320</b>
Effective income tax rate	-42.36 %	24.77 %

The applicable income tax rate for Unternehmensgruppe Theo Müller includes trade tax at an average rate of 6.75 % (prior year: 6.75 %). The tax rate corresponds to the nominal tax liability of the Unternehmensgruppe Theo Müller S.e.c.s. parent company in Luxembourg.

### **Deferred tax assets and deferred tax liabilities**

In T€	2019		2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	4	-42,614	10	-45,431
Goodwill	6,102	-1,317	3,908	-1,245
Property, plant and equipment	55,174	-22,870	11,695	-23,060
Rights of use	0	-12,923	—	—
Financial assets – securities under non-current assets	0	-3,504	15	-2,812
Financial assets - others	0	-185	3	-25
Derivatives non-current positive fair value	0	-6,876	0	-4,347
Other non-current assets	5	0	18	0
Inventories	876	0	832	0
Receivables	707	-97	250	-395
Other financial assets - others	1	-18	24	0
Derivatives current positive fair value	0	-320	0	-4,667
Other receivables / other assets	111	-418	113	-22
Cash and cash equivalents	0	0	0	0
Pension provisions	12,964	-15	7,872	-8
Other provisions – non-current	709	-16	643	-47
Leasing liabilities non-current	12,292	0	—	—
Other liabilities - non-current	3,658	-431	3,741	-841
Other provisions - current	1,336	0	1,545	0
Leasing liabilities - current	3,113	0	—	—
Other liabilities - current	6,915	-43	7,234	-38
Losses carried forward	55,841	0	33,122	0
<b>Total balance</b>	<b>159,808</b>	<b>-91,647</b>	<b>71,025</b>	<b>-82,938</b>

Deferred tax assets totalling T€ 153,050 (previous year: T€ 199,317) were not recognized due to lack of recoverability. Of this amount, deferred tax assets are attributable to losses carried forward amounting to T€ 150,137 (prior year: T€ 155,584). Deferred tax assets on temporary differences amounting to T€ 2,913 (prior year: T€ 43,733) were not recognized.

Deferred tax assets are only recognized to the extent that it is probable that they can be utilised in the future - either on the basis of existing deferred tax liabilities or, in addition, on the basis of the probable tax result.

No deferred tax liabilities were recognized for the difference between the net assets and the tax base of the subsidiaries (*outside basis differences*) in the amount of T€ 215,822 (prior year: T€ 267,440), because the reversal effect can be controlled and it is therefore probable that temporary taxable differences contained in the above-mentioned difference, depending on the tax jurisdiction, will not reverse in the foreseeable future.

**Balance of tax losses carried forward not yet utilized**

In T€	2019	2018
<b>Trade tax</b>	<b>354,069</b>	<b>309,062</b>
of which can be carried forward – up to five years	0	0
of which can be carried forward – over five years	104,992	70,412
of which can be carried forward – unlimited	230,216	219,789
of which in ongoing appeal proceedings	18,861	18,861
<b>Corporate income tax</b>	<b>984,206</b>	<b>902,070</b>
of which can be carried forward – up to five years	2	0
of which can be carried forward – over five years	257,716	224,678
of which can be carried forward – unlimited	726,488	677,392
of which in ongoing appeal proceedings	0	0

The carrying forward capacity of losses carried forward for which no deferred tax assets have been accounted for, is as follows:

In T€	2019	2018
<b>Trade tax</b>	<b>294,241</b>	<b>289,371</b>
of which can be carried forward – up to five years	0	0
of which can be carried forward – over five years	104,992	70,412
of which can be carried forward – unlimited	170,388	200,098
of which in ongoing appeal proceedings	18,861	18,861
<b>Corporate income tax</b>	<b>692,637</b>	<b>719,303</b>
of which can be carried forward – up to five years	2	0
of which can be carried forward – over five years	257,716	224,678
of which can be carried forward – unlimited	434,919	494,625
of which in ongoing appeal proceedings	0	0

## Other Disclosures

### [27] Disclosures regarding the consolidated cash flow statement

The cash flow statement has been prepared in accordance with IAS 7 and shows the movement in cash and cash equivalents (checks, cash on hand, bank balances due in up to three months net of current account credits plus commercial papers) of Unternehmensgruppe Theo Müller in the course of the reporting year that arises from the outflow/inflow of funds. The cash inflow from operating activities is determined using the indirect method. Within the cash flow from operating activities, the "gross cash flow", which serves internal controlling purposes, is defined as a sub-total.

In conformity with IAS 7, the consolidated cash flow statement is divided into operating activities, investing activities and financing activities.

For purposes of the consolidated cash flow statement, the cash and cash equivalents balance is as follows:

In T€	12/31/2019	12/31/2018
Cash on hand	120	115
Bank balances	88,337	101,643
Money transfer account	3,576	873
Cheques	4,829	4,041
Sub-total	96,862	106,672
Minus current account credits (-)	-219,631	-118,975
Minus cash pooling (-)	23,222	-6,788
<b>Cash and cash equivalents</b>	<b>-99,547</b>	<b>-19,091</b>

The carrying value of the financial liabilities shown in the cash flow for financing activities as separated by cash and non-cash changes in carrying value, developed as follows in the reporting period:

In T€	Balance at Jan. 1, 2019	Cash-related Change in carrying value	Acquisition	Currency-related change in carrying value	Write-ups to transaction costs	Additions to Consolidated group	Transfers	Interest expense	First-time adoption of IFRS 16	Balance at Dec. 31, 2019
Finance leases	4,845	-69,776	17,978	19,232	0	0	-221	7,339	297,682	277,079
Financial liabilities (USPP)	263,621	-113,209	0	5,051	115	0	0	0	0	155,578
Loans from related parties	2,436	-40	0	0	0	0	0	73	0	2,469
Other financial liabilities	5,588	41,587	0	280	0	1,750	-572	127	0	48,760
Liabilities due to banks > 1 year	252,044	8,722	0	0	35	0	0	0	0	260,800
<b>Total liabilities from financing activities</b>	<b>528,534</b>	<b>-132,717</b>	<b>17,978</b>	<b>24,563</b>	<b>150</b>	<b>1,750</b>	<b>-793</b>	<b>7,538</b>	<b>297,682</b>	<b>744,686</b>

In T€	Balance at Jan. 1, 2018	Cash-related Change in carrying value	Acquisition	Currency-related change in carrying value	Write-ups to transaction costs	Additions to Consolidated group	Transfers	Interest expense	Additions to finance leases	Balance at Dec. 31, 2018
Finance leases	11,709	-6,904	48	-19	0	11	0	0	0	4,845
Financial liabilities (USPP)	251,579	0	0	11,935	107	0	0	0	0	263,621
Loans from related parties	2,369	-8	0	0	0	0	0	73	0	2,436
Other financial liabilities	0	0	0	0	0	5,529	59	0	0	5,588
Liabilities due to banks > 1 year	202,146	50,592	0	0	35	0	-729	0	0	252,044
<b>Total liabilities from financing activities</b>	<b>467,803</b>	<b>43,682</b>	<b>48</b>	<b>11,916</b>	<b>142</b>	<b>5,540</b>	<b>-670</b>	<b>73</b>	<b>0</b>	<b>528,534</b>

## [28] Other financial commitments

The futures contracts concluded in 2019 for energy purchases in 2020 and 2021 (electricity, gas) and which fall under the *own use exemption* provided for under IFRS 9, result in other financial commitments in the amount of T€ 13,215 (prior year: T€ 14,809).

Unaccounted for subscription obligations (*commitments*) exist in the amount of T€ 24,583 (prior year: T€ 20,837) for securities under non-current assets and investments.

## [29] Leases

### Leases as lessee

The following table shows the carrying amounts of the rights of use by class of underlying assets:

In T€	Land and buildings	Technical equipment and machinery	Vehicle fleet	Tractor units and semi-trailers	Other equipment, operating and office equipment	Total
First-time adoption of IFRS 16 as of 01/01/2019	161,909	58,876	15,553	30,880	252	267,471
Reclassification of finance leases according to IAS 17 due to IFRS 16	0	563	78	6,269	266	7,176
Currency differences	8,055	2,719	580	1,908	26	13,287
Additions	9,585	4,151	5,814	2,636	0	22,185
Disposals	-4,141	-197	-876	-291	-5	-5,511
Reclassifications	0	-64	-23	-4,046	0	-4,134
Scheduled depreciation and amortization	-22,164	-16,087	-8,055	-14,905	-388	-61,598
Currency differences in current year	-654	-383	-165	-506	-12	-1,721
As of 12/31/2019	152,589	49,578	12,905	21,945	140	237,157

The following table shows the average contractual terms of the rights of use by class of underlying assets:

Class of rights of use	In years
Land and buildings	27
Technical equipment and machinery	6
Vehicle fleet	3
Tractor units and semi-trailers	4
Other equipment, operating and office equipment	5



The following amounts were recognized in the income statement:

Amounts recognized in the income statement	In T€
Interest expenses for leasing liabilities	-7,359
Income from the subleasing of rights of use	10
Expenses for current leases	-2,493
Expenses for variable lease payments	-209
Expenses for leases of assets of minor value, except for current leases of assets of minor value	-58

The following amounts were reported in the cash flow statement:

Amounts recognized in the cash flow statement	In T€
Total cash outflows for leases	-69,776

In the previous year, the Group had obligations under finance leases and operating leases, which were accounted for in accordance with IAS 17 - Leases.

The minimum lease payments for finance leasing liabilities in the previous year amounted to:

Lease payments due in T€	< 1 year	1 – 5 years	> 5 years	Total
Minimum lease payments	2,980	1,996	0	4,976
Interest expense for the leasing liability reported as of the balance sheet date	111	20	0	131
Present value of the minimum lease payments as of 12/31/2018	2,869	1,976	0	4,845

In the prior year, the following obligations existed under operating leases with the stated maturities in T€:

In T€	12/31/2018
Up to one year after the balance sheet date	71,957
Between one and five years	148,916
More than five years	80,728
Minimum lease payments	301,601

The operating lease agreements concern buildings and warehouses, technical equipment, hardware, passenger cars, trucks and semitrailers.

In the previous year, payments from operating leases amounting to T€ 91,731 were recognized as an expense. Of this amount, T€ 3,732 was attributable to contingent rents and T€ 0 to payments from subleases.

#### Leases as lessor

In 2019, the Group sublet one property, which was reported as a right of use within land and buildings.

Due to the granting of rent-free periods, the Group recognized an expense of T€ -29 from the disposal of the right of use within the operating result.

In the 2019 financial year, interest income from lease receivables of T€ 10 (prior year: T€ 0) was recognized in the income statement under net interest income.

The following table presents a maturity analysis of the lease receivables and shows the non-discounted lease payments to be received after the balance sheet date. In accordance with IAS 17, the Group had no finance lease receivables.

In T€	12/31/2019
Up to one year after the balance sheet date	387
Between one and five years	967
More than five years	0
<b>Total amount of non-discounted lease receivables</b>	<b>1,354</b>
Unrealised interest income	-62
<b>Net investment in the lease</b>	<b>1,292</b>

### [30] Financial Instruments

#### Carrying amounts and fair values of financial instruments:

The following table illustrates the carrying amounts and fair values of financial instruments, structured according to IFRS 9 measurement categories, of Unternehmensgruppe Theo Müller.

In T€	Measurement category under IFRS 9	Balance sheet recognition under IFRS 9					
		Carrying amount 12/31/2019	not a category of IFRS 9 / not within the scope of IFRS 7	(Amortized) costs	Fair Value with no effect on profit/loss	Fair Value with effect on profit/loss	Fair value 12/31/2019 <sup>1</sup>
Assets							
1) Non-current financial assets							
- Equity investments	FVTPL	4,193	0	0	0	4,193	4,193
- Securities held as non-current assets (equity instrument)	FVTPL	17,585	0	0	0	17,585	17,585
- Securities under non-current assets (debt instrument)	FVTPL	62,348	0	0	0	62,348	62,348
- Loans	AC	32,656	0	32,656	0	0	33,024
- Derivative financial assets	FVTPL	25,203	0	0	0	25,203	25,203
- Other non-current financial assets	n.a.	1,302	1,302	0	0	0	—
- Lease receivables	n.a.	1,292	1,292	0	0	0	1,321
2) Trade receivables							
	AC	819,027	0	819,027	0	0	—
3) Receivables from companies accounted for at equity							
	AC	206	0	206	0	0	—
4) Other financial assets							
- Derivative financial assets	FVTPL	2,297	0	0	0	2,297	2,297
- Loans	AC	377	0	377	0	0	—
- Cash pooling - external	AC	23,223	0	23,223	0	0	—
5) Other receivables and other assets							
	AC	92,495	71,877	20,617	0	0	—
6) Cash and cash equivalents							
	AC	96,862	0	96,862	0	0	—
Total assets		1,179,066	74,472	992,968	0	111,626	145,971
Equity & Liabilities							
1) Financial liabilities							
- USPP bonds (non-current and current)	AC	155,578	0	155,578	0	0	163,547
- Liabilities to banks (non-current)	AC	260,800	0	260,800	0	0	237,582
- Liabilities to banks (current)	AC	219,632	0	219,632	0	0	219,632
- Loans to related parties	AC	2,469	0	2,469	0	0	—
- Other financial liabilities (non-current)	AC	7	0	7	0	0	—
- Other financial liabilities (current)	AC	47,003	0	47,003	0	0	—
2) Trade payables							
	AC	451,146	0	451,146	0	0	—
3) Payables to companies accounted for at equity							
	AC	0	0	0	0	0	—
4) Other financial liabilities							
- Derivative financial liabilities	FVTPL	1,982	0	0	0	1,982	1,982
- Cash pooling - external	AC	0	0	0	0	0	—
- Others (non-current)	AC	294	0	294	0	0	—
5) Other liabilities							
- Deferred liabilities	n.a.	311,472	311,472	0	0	0	—
- Others	AC	67,337	43,682	23,655	0	0	—
6) Lease liabilities							
	n.a.	277,079	277,079	0	0	0	—
Total Equity and Liabilities		1,794,796	632,233	1,160,563	0	1,962	622,153

<sup>1</sup> The simplification provision under IFRS 7.29a has been applied with respect to fair value disclosures. Where the carrying amount approximates fair value, fair value is not disclosed.

In T€	Measurement category under IFRS 9	Balance sheet recognition under IFRS 9					
Assets		Carrying amount 12/31/2018	not a category of IFRS 9 / not within the scope of IFRS 7	(amortized) acquisition cost	Fair Value with no effect on profit/loss	Fair Value with effect on profit/loss	Fair Value 12/31/2018 <sup>1</sup>
1) Non-current financial assets							
- Equity investments	FVTPL	2,707	0	0	0	2,707	2,707
- Securities held as non-current assets (equity instrument)	FVTPL	14,913	0	0	0	14,913	14,913
- Securities under non-current assets (debt instrument)	FVTPL	55,582	0	0	0	55,582	55,582
- Loans	AC	19,550	0	19,550	0	0	20,057
- Derivative financial assets	FVTPL	15,629	0	0	0	15,629	15,629
- Other non-current financial assets	n.a.	1,362	1,362	0	0	0	—
2) Trade receivables							
	AC	785,305	0	785,305	0	0	—
3) Receivables from companies accounted for at equity							
	AC	295	0	295	0	0	—
4) Other financial assets							
- Derivative financial assets	FVTPL	18,088	0	0	0	18,088	18,088
- Loans	AC	184	0	184	0	0	—
5) Other receivables and other assets							
	AC	113,929	83,894	30,071	0	0	—
6) Cash and cash equivalents							
	AC	108,673	0	108,673	0	0	—
Total assets		1,134,217	85,256	942,078	0	106,919	126,976
Equity & Liabilities							
1) Financial liabilities							
- USPP bonds (non-current and current)	AC	263,621	0	263,621	0	0	267,177
- Liabilities to banks (non-current)	AC	252,043	0	252,043	0	0	245,934
- Liabilities to banks (current)	AC	118,975	0	118,975	0	0	119,304
- Loans to related parties	AC	2,436	0	2,436	0	0	—
2) Trade payables							
	AC	405,688	0	405,688	0	0	—
3) Payables to companies accounted for at equity							
	AC	0	0	0	0	0	—
4) Other financial liabilities							
- Derivative financial liabilities	FVTPL	810	0	0	0	810	810
- Cash pooling - external	AC	6,788	0	6,788	0	0	—
- Others (non-current)	AC	279	0	279	0	0	—
5) Other liabilities							
- Deferred liabilities	n.a.	298,896	270,128	28,768	0	0	—
- Others	AC	98,115	60,155	37,960	0	0	—
6) Financial lease liabilities							
	AC	4,845	0	4,845	0	0	5,095
Total Equity and Liabilities		1,452,498	330,283	1,121,405	0	810	638,320

<sup>1</sup> The simplification provision under IFRS 7.29a has been applied with respect to fair value disclosures. Where the carrying amount approximates fair value, fair value is not disclosed.

The fair values of financial instruments are determined using the market information available as of the balance sheet date on the basis of the methods and assumptions presented below. They reflect the prices that a party would pay to an independent party for the rights and/or obligations arising from these financial instruments.

### **Non-current financial assets / Other financial liabilities**

In addition to the equity investments, the financial assets at fair value with effect on profit/loss include portfolios within the context of Asset Management. The fair values of the quoted securities and shares in funds are based on the stock rates quoted as of the balance sheet date.

The market valuation of portfolios managed by fund managers is based on published net asset values, broker price information, respective the stock rates as of the balance sheet date. For the prices determined on the basis of broker information, three different price sources are obtained for each portfolio position. The valuation of the individual position reflects the respective highest bid price of these price sources. If the highest and average bid prices should differ by more than 5 %, the average of the three prices is used to value the position.

Equity investments that are not measured using the equity method also qualify as financial assets at fair value with effect on profit/loss. To the extent that no active market exists for these entities and the fair value cannot be reliably determined with reasonable efforts, they are accounted for at the respective acquisition costs. There was no intention to sell or derecognize significant interests in the equity investments reported as of the balance sheet date in the near future. In the reporting year and in the previous year there were no disposals of shares in available investments that were measured at acquisition cost. In the event of indications of lower fair values, these fair values are stated.

The loans are stated at amortized cost. The respective fair values largely correspond to the carrying amounts.

With respect to the currency risk, structured options, currency swaps and forward exchange contracts are used. The fair values of the derivative financial instruments concerning the hedging instruments are determined by external partners on the basis of acknowledged measurement methods whereby only observable input parameters are applied. Options are calculated by the banks involved using Garman-Kohlhagen models. The fair values of other derivative financial instruments are determined using the net present value method by discounting the contracted cash flows. Input factors of the measurement models are observable market prices, interest rates and volatilities that are obtained from acknowledged external sources. To this end, relevant interest rates of the contractual partners are applied as of the balance sheet date.

### **Trade accounts receivable / receivables from associated companies**

Due to the short maturities of these financial instruments, it is assumed that the fair values approximately correspond to the carrying amounts.

The classification of trade accounts receivable into receivables not yet due and overdue as well as overdue periods is presented under "Credit risk".

### **Other financial assets / other financial liabilities**

The loans and loans to related parties bear variable interest rates in accordance with market conditions. The fair values thus correspond to the carrying amounts.

### **Financial liabilities**

Financial liabilities include the USPP bonds as well as non-current and current liabilities to banks.

Due to the short terms, it is assumed that the carrying amounts of current liabilities and loans with related parties approximately correspond to the fair values. The fair values of non-current liabilities are determined as the cash values of payments associated with the debts using the respective valid yield curve and the credit spread curve of the Group, differentiated according to currency.

### **Trade payables and other liabilities**

Trade payables, other liabilities and liabilities to companies accounted for at equity are generally short-term; The balance sheet value approximates the fair value.

### **Lease receivables**

The fair values of lease receivables are determined as the cash values of proceeds associated with the receivables using the respective valid yield curve and the credit spread curve of the Group, differentiated according to currency.

### **Fair Value Hierarchy**

The determination and disclosure of the fair value of financial instruments are oriented towards a fair value hierarchy which takes into account the significance of the input data used for measurement. The fair value hierarchy is structured as follows:

Level 1: Prices for identical assets and liabilities quoted on active markets (remain unchanged). This level of the hierarchy includes stocks, investment funds and fixed interest-bearing securities for which a stock price is available or the prices are available from an independent price quoter that are based on actual market transactions. Stock traded derivatives are also classified to Level 1.

Level 2: Other input parameters than the quoted prices accounted for in Level 1, which are observed for an asset or a liability either directly (as prices) or indirectly (derived from prices). This level includes derivatives not traded on the stock exchange and securities not traded on a daily basis as well as private equity funds.

Level 3: Use of input data that is not based on observable market data for the measurement of assets and liabilities (non-observable input data). Items classified to this level include investments in hedge funds.

The hierarchy level to which the fair value measurement is allocated is oriented towards the lowest level, where the input parameters are significant for measurement as a whole. If circumstances should arise that require a different classification, such items will be reclassified as of the balance sheet date.

The following table reflects the financial assets and liabilities, measured at fair value, that were held as of December 31, 2019:

In T€	Level 1	Level 2	Level 3	12/31/2019
<b>Financial assets</b>				
▪ <i>Measured at fair value through profit or loss</i>				
- Derivative financial assets (FViPL)	0	27,500	0	27,500
- Equity investments (FViPL)	0	4,193	0	4,193
- Securities under non-current assets (FViPL)	4,344	75,486	103	79,933
<b>Financial liabilities</b>				
▪ <i>Measured at fair value through profit or loss</i>				
- Derivative financial liabilities (FViPL)	0	1,982	0	1,982

In T€	Level 1	Level 2	Level 3	12/31/2018
<b>Financial assets</b>				
▪ <i>Measured at fair value through profit or loss</i>				
- Derivative financial assets (FViPL)	0	33,717	0	33,717
- Equity investments (FViPL)	0	2,707	0	2,707
- Securities under non-current assets (FViPL)	3,968	66,198	329	70,495
<b>Financial liabilities</b>				
▪ <i>Measured at fair value through profit or loss</i>				
- Derivative financial liabilities (FViPL)	0	810	0	810

The table below shows the development of financial instruments measured at *fair value* that are disclosed under Level 3. In the reporting period, no financial instruments were reclassified from or to Level 3 of the fair value hierarchy. The gains and losses associated with the financial instruments of Level 3 of the measurement hierarchy are recognized in the other financial result as gains and losses from securities under non-current assets (debt instrument).

In T€	
	Measured at fair value through profit or loss
	Securities held as non-current assets (asset management)
01/01/2019	329
Disposals	-105
Gains (+) / losses (-) recognized	30
To profit or loss from securities under Non-current assets (debt instrument)	-151
Reclassifications from (-) / to (+) Level 3	0
12/31/2019	103
Sum of gains or losses recognized as income or expense in the period for assets held as of the balance sheet date	-36

In T€	
	Measured at fair value through profit or loss
	Securities held as non-current assets (asset management)
01/01/2018	154
Disposals	-32
Gains (+) / losses (-) recognized	14
To profit or loss from securities under Non-current assets (debt instrument)	-7
Reclassifications from (-) / to (+) Level 3	200
12/31/2018	329
Sum of gains or losses recognized as income or expense in the period for assets held as of the balance sheet date	7

The financial instruments reported within Level 3 are securities under non-current assets, whose sensitivity cannot be measured reliably. Risks resulting therefrom relate to changes in interest rates and foreign currencies as well as from changes in value influenced by real estate property and raw material prices.



As at the balance sheet date, the following financial instruments were not measured at fair value although the respective fair values were stated:

In T€	12/31/2019				12/31/2018			
	Level 1: Input parameters as prices on active markets	Level 2: Other input parameters that are directly or indirectly observable	Level 3: Non- observable input parameters	Total	Level 1: Input parameters as prices on active markets	Level 2: Other input parameters that are directly or indirectly observable	Level 3: Non- observable input parameters	Total
<b>Assets</b>								
Loans	0	33,024	0	33,024	0	20,057	0	20,057
Lease receivables	0	1,321	0	1,321	0	0	0	0
<b>Equity &amp; Liabilities</b>								
USPP bonds	0	163,547	0	163,547	0	267,177	0	267,177
Liabilities to banks (non-current)	0	237,592	0	237,592	0	245,934	0	245,934

### Netting of financial assets and financial liabilities

The following financial assets and financial liabilities are subject to netting, enforceable master netting agreements or similar agreements.

12/31/2019						
Other financial assets	Gross amount of disclosed financial assets	Gross amounts netted in the balance sheet	Net amounts disclosed in the balance sheet	Amounts that are not netted in the balance sheet	Fair Value of financial collaterals pledged	Total net figure
Derivative financial assets	27,500	0	27,500	-936	0	26,564
Trade accounts receivable	835,310	-16,283	819,027	-272	0	818,755
<b>Financial liabilities</b>	<b>Gross amount of disclosed financial liabilities</b>	<b>Gross amounts netted in the balance sheet</b>	<b>Net amounts disclosed in the balance sheet</b>	<b>Amounts that are not netted in the balance sheet</b>	<b>Fair Value of financial collaterals pledged</b>	<b>Total net figure</b>
Derivative financial liabilities	1,982	0	1,982	-936	0	1,046
Trade payables	466,701	-15,566	451,135	272	0	451,407

12/31/2018						
Other financial assets	Gross amount of disclosed financial assets	Gross amounts netted in the balance sheet	Net amounts disclosed in the balance sheet	Amounts that are not netted in the balance sheet	Fair Value of financial collaterals pledged	Total net figure
Derivative financial assets	33,717	0	33,717	-771	0	32,946
Trade accounts receivable	798,775	-13,469	785,306	-232	0	785,074
<b>Financial liabilities</b>	<b>Gross amount of disclosed financial liabilities</b>	<b>Gross amounts netted in the balance sheet</b>	<b>Net amounts disclosed in the balance sheet</b>	<b>Amounts that are not netted in the balance sheet</b>	<b>Fair Value of financial collaterals pledged</b>	<b>Total net figure</b>
Derivative financial liabilities	810	0	810	-771	0	39
Trade payables	416,610	-10,923	405,687	232	0	405,919

Receivables and payables for which credit notes were granted or received are netted in the balance sheet.

Regarding amounts that cannot be offset pursuant to contractual provisions in the event of insolvency, all of the counterparty's derivatives are netted at positive or negative fair value so that, consequently, only the balance of a receivable or liability remains. Collateral agreements that reduce the Group's default risk were not concluded in this context.

## **Explanatory Notes to the Income Statement**

### **a) Net profit or net loss**

The table below reflects the net profits or losses from financial instruments recognized in the income statement:

<b>Net result according to the measurement category under IFRS 9:</b>	<b>2019</b>	<b>2018</b>
Financial assets at amortized cost (AC)	45,359	-7,416
Financial liabilities at amortized cost (AC)	-2,456	-11,779
Fair Value through P&L (FVtPL)	-5,055	25,798

The net result of financial assets at amortized cost (AC) includes the net profit or net loss of cash and cash equivalents (AC) and financial liabilities to banks (AC) and relate to currency translation effects from reporting date valuation and currency gains or losses realized during the year. The net result of financial assets at amortized cost also includes the net profit or net loss from loans and receivables (AC) for changes in value adjustments on trade receivables and derecognition of receivables and loans that are recognized in the operating result.

The net result from financial liabilities at amortized cost (AC) includes the net profit or net loss from the financial liabilities (AC) measured at acquisition cost that relate to the currency translation effects for the USPP bonds and write-ups on a disagio using the effective interest rate method. This category also includes the currency translation effects from the measurement of receivables and payables denominated in foreign currencies (AC) recognized in the operating result.

The net result of the category at fair value through profit or loss (*FvtPL*) contains effects from changes in fair value of derivative financial assets, effects from the fair value measurement through profit or loss of financial assets held for trading as well as write-ups and write-downs on the probable recoverable amount that is expected to arise from the respective investment and from the fair value measurement through profit or loss of securities classified as equity instruments and debt instruments.

**b) Interest income and interest expenses of financial instruments not measured at fair value**

The following amounts included in interest income and interest expenses recognized in the income statement are attributable to financial assets and financial liabilities that are not measured at fair value through profit or loss:

In T€	2019	2018
Interest income	1,904	947
Interest expense	-20,559	-16,192
<b>Interest result</b>	<b>-18,655</b>	<b>-15,244</b>
<i>of which from financial instruments of the measurement categories pursuant to IFRS 9 (except for the items measured at fair value through profit or loss)</i>		
Loans and receivables (AC)	1,413	477
Financial liabilities measured at amortized cost (AC)	-11,919	-14,689
Interest income from cash and cash equivalents (AC)	274	243

Interest income relating to financial assets not measured at fair value are a component of the net result of financial instruments that are to be allocated to the category "at amortized cost" (AC). Interest income in the "Loans and receivables (AC)" category mainly includes interest from loans issued and other loans. Interest expenses pertaining to the category "Financial liabilities measured at amortized cost (AC)" mainly include interest expenses associated with the US private placements as well as interest expenses arising from liabilities to banks.

**Risk management**

The Unternehmensgruppe Theo Müller has established an opportunities and risk management system.

Risks and opportunities are systematically included in the planning and decision-making processes on the basis of defined standards. As opportunities and risks basically represent the two aspects of entrepreneurial activity, the opportunities usually arise from the complementary view of the operational and functional risk structure in all risk fields. Thus, potential hazards can be minimized early on and opportunities efficiently and successfully exploited.

The risk management system is an integral part of all planning, controlling and reporting structures. The company's management regularly deals with risk management issues.

With respect to finance and accounting, the function of the internal control and risk management system is to ensure the appropriateness of accounting and financial reporting processes. The system includes principles and processes as well as preventive and clarifying controls. It is aimed at identifying any potential sources of error and at minimizing any resulting risks.

It is regularly reviewed, inter alia, whether the Group's accounting, valuation and account allocation instructions are applied in a uniform manner by all Group companies, whether all intercompany transactions are fully reported and eliminated accordingly in the consolidated financial statements, whether matters relevant to accounting are identified and appropriately

reflected and whether the processes aimed at functional segregation and the principle of dual control are complied with.

### **Capital management**

The capital management strategy of the Group is aimed at the maximization of earnings through optimization of the relationship between equity and borrowed capital and at ensuring the continued existence of the Group as a going concern. The equity ratio is at the core of capital management. It describes the relationship between equity and total capital and is calculated at the respective carrying amounts. The more equity is available, the greater the financial stability of the corporate Group and the more independent the Group is from investors. With equity of T€ 2,154,617 (prior year: T€ 2,040,616) and increased total capital, the equity ratio is 51.4% (prior year: 55.2%).

Although Luxembourg does not have any legislation concerning minimum capital requirements, the Unternehmensgruppe Theo Müller is subject to certain financial covenants agreed for the issued USPP bonds, which have been observed since the bonds were issued. The covenants relate mainly to the level of indebtedness. Compliance with these ratios is examined in a semi-annual report which is presented to the bond holders. A violation of the covenant would have as a consequence that the investors could declare the USPP bond due with immediate effect.

Regarding the purpose of the redeemable loans, the Unternehmensgruppe Theo Müller is required to comply with the covenants (level of indebtedness and interest coverage ratio) during the term; such non-compliance could lead to immediate maturity.

### **Liquidity risk**

The liquidity risk is defined as the risk that the Group would not be in a position to provide contractually agreed funds or other financial assets to meet its financial liabilities. The Group's liquidity management has to ensure that - as far as possible - sufficient liquid funds are available at all times in order to be in position to meet payment obligations at their maturity under normal as well as under tight conditions, without suffering unbearable losses or damaging the Group's reputation. In this context, payment obligations in the Unternehmensgruppe Theo Müller could arise, among other things, from the operative business and early repayment of non-current financial liabilities in the event of a breach of the financial covenants.

A liquidity risk also arises if sufficient liquidity cannot be obtained at the expected terms in the event of an upcoming requirement (refinancing risk) or if it is no longer able to close or settle business transactions at all, or can close or settle such transactions only with losses due to insufficient market depth or market disruptions (market liquidity risk).

The Unternehmensgruppe Theo Müller generates its financing primarily through the operative business and external financing arrangements. The Unternehmensgruppe Theo Müller manages its liquidity by retaining sufficient cash flows from business operations, on the basis of rollover liquidity plans and through the use of credit facilities at banks, which enable it to fulfil its financial obligations under normal market terms and conditions.

Liquid assets include cash and cash equivalents (time deposits and demand and fixed-term deposits). At the 2019 year-end, the Unternehmensgruppe Theo Müller had 13 short-term credit lines at independent banks totalling € 464 million (prior year: 12 short-term credit lines totalling € 424 million), of which € 200 million (prior year: € 301 million) were not utilized. The interest rate to be paid on utilization of the credit lines is mainly based on the EONIA / LIBOR plus a margin. As of the balance sheet date, guarantee facilities amounted to T€ 15,749 (prior year: T€ 15,005), which are partly credited to the credit lines.

In addition, the Group monitors the risk of potential liquidity shortages of the individual operating business units by means of IT-Tools, E-Banking and Cash-Management-Systems. A liquidity plan based on the sub-group planning shows the expected development of liquidity over a term of more than one year. Prudent liquidity management includes holding sufficient reserves in liquid assets and the possibility of financing through an adequate amount of credit lines.

Operative liquidity management includes a cash concentration process respecting the daily consolidation of liquid assets, which supports the controlling of liquidity surpluses and liquidity requirements in line with the needs of the Unternehmensgruppe Theo Müller and individual Group companies. Short- and medium-term liquidity management is conducted in consideration of the maturities of financial assets and financial liabilities and estimates of the operative cash flows.

The following maturities schedule shows all contractually fixed payments of capital, redemption payments and interest on recognized financial liabilities, including derivative financial instruments with a negative fair value. If counterparties can choose the date of payment, the liability is allocated to the earliest available period. With respect to derivative financial instruments for which gross settlement has generally been agreed, the gross cash flows are stated within the scope of the maturity analysis, while other obligations are shown at the undiscounted cash flows for future financial years. All financial instruments were included that were accounted for as of the balance sheet date and for which payments were contractually agreed. Budget figures for future new liabilities have not been taken into account in this presentation.

In T€ as of December 31, 2019	Liabilities falling due in				
	Net carrying amount	< 1 year	1 – 5 years	> 5 years	Gross outflow
<b>Non-derivative financial liabilities</b>					
<u>Financial liabilities</u>					
USPP bonds, short term and long term	155,578	5,795	167,367	0	173,162
Liabilities to banks	480,432	334,995	146,372	4,773	486,140
Loans from related parties	2,469	1	0	2,468	2,469
<u>Trade payables</u>	451,135	451,135	0	0	451,135
<u>Other financial liabilities</u>					
Miscellaneous other liabilities	47,010	47,003	7	0	47,010
<u>Payables due to companies accounted for at equity</u>	0	0	0	0	0
<u>Other liabilities</u>					
Others	378,808	369,711	9,097		378,808
<u>Leasing liabilities</u>	277,079	57,270	125,643	94,884	277,797
<b>Total</b>	<b>1,792,511</b>	<b>1,265,910</b>	<b>448,486</b>	<b>102,125</b>	<b>1,816,521</b>
<b>Derivative financial liabilities with gross settlement</b>					
	<b>-926</b>				
- cash outflow		-67,436			-67,436
- cash inflow		66,664			66,664

In T€ as of December 31, 2018	Liabilities falling due in				
	Net carrying amount	< 1 year	1 – 5 years	> 5 years	Gross outflow
<b>Non-derivative financial liabilities</b>					
<u>Financial liabilities</u>					
USPP bonds, short term and long term	263,621	119,963	169,895	0	289,858
Liabilities to banks	371,019	126,818	165,681	85,474	377,973
Loans from related parties	2,436	1	0	2,435	2,436
<u>Trade payables</u>	405,688	405,688	0	0	405,688
<u>Other financial liabilities</u>					
Miscellaneous other liabilities	5,588	4,932	656	0	5,588
<u>Payables due to companies accounted for at equity</u>	0	0	0	0	0
<u>Other liabilities</u>					
Others	397,011	372,012	17,523	7,476	397,011
<u>Finance lease liabilities</u>	4,845	3,059	1,786	0	4,845
<b>Total</b>	<b>1,450,208</b>	<b>1,032,473</b>	<b>355,541</b>	<b>95,385</b>	<b>1,483,399</b>
<b>Derivative financial liabilities with gross settlement</b>					
	-684				
- cash outflow		-56,700	-13,295		-69,995
- cash inflow		56,169	14,214		70,383

It is not expected that contractually agreed payments in the analysis of residual terms will result in cash outflows occurring considerably earlier than shown or that will substantially differ from the amount shown.

Derivative financial instruments include both forward transactions and forward options, and swaps (currency swaps) as well as commodity derivatives. The contractual arrangements determine whether these will be offset against each other and whether it will lead to a net settlement or to both contractual parties settling their obligations in full (gross settlement).

Forward contracts with negative fair values are presented gross amounts from cash outflows and cash inflows. Interest rate swaps are classified in the maturity time bands with the net amounts from interest payable. Options with short positions are not allocated to any time band (as they have not been exercised as yet) and amount to T€ 2,840 as of the reporting date (prior year: T€ 202).

Owing to the diversification of financing sources and liquid assets, the Unternehmensgruppe Theo Müller is not exposed to a concentration risk within the scope of liquidity.

### **Market risks**

Market risks arise from changes in market prices. Because of its business activities throughout Europe, the Unternehmensgruppe Theo Müller is exposed to market risks mainly arising from changes in foreign exchange rates and interest rate changes. The Group is also exposed to the risk that the fair value and future cash flows from financial instruments may change due to fluctuations in the market prices. These market risks can have a negative impact on the net assets, financial position and result of operations of the Unternehmensgruppe Theo Müller. The objective of the group-wide risk management system is to control and monitor these market risks through the Unternehmensgruppe Theo Müller's regular operative business and financing activities and – if applicable— through the purchase and sale of derivative financial instruments. All activities are in conformity with the group-wide risk management policies and guidelines. The central finance department evaluates risks on a regular basis by monitoring key economic indicators and market information. The Unternehmensgruppe Theo Müller does not engage in hedge accounting.

#### **a) Currency risk**

Currency risks within the meaning of IFRS 7 result from the denomination of financial instruments in a foreign currency other than the functional currency of the Unternehmensgruppe Theo Müller. Currency-based differences from the currency translation of financial statements into the Group currency are not taken into account. By contrast, financial instruments denominated in the functional currency and non-monetary positions are not associated with currency risks.

The Unternehmensgruppe Theo Müller is exposed to currency risks from financing measures and operative activities, primarily related to the movements of the British pound, US dollar, Polish zloty and Czech crown against the euro. The exchange rate risk related to payment flows from future receivables or liabilities denominated in foreign currencies is covered in line with the general principle of "no hedging without an underlying transaction" and in conformity with an internal guideline at 0% to 100% of the exposure amount (requirement for a defined payment period).

The financial instruments intended for hedging future cash flows are measured at fair value and recognized under profit or loss. The fair value corresponds to the amount which the Unternehmensgruppe Theo Müller would have to pay or would receive in the event of an assumed dissolution of the hedging transaction at the effective date. The fair value of the hedging instruments is calculated on the basis of available market quotations without netting of any opposing value developments of the underlying transactions. In order to hedge these

risks the Unternehmensgruppe Theo Müller utilizes conventional market instruments, such as currency forward transactions and currency options, as well as exotic options in the currency trading area. As of the balance sheet date, the portfolio included options with 'barrier' and 'window double barrier' features, which are also used for hedging future cash flows. The exotic options offer the possibility of better market prices or participation in better stock prices, if the barriers hold up.

In the operative business, the individual Group companies process their activities primarily in their respective local currencies. Therefore, the foreign exchange risks inherent in the operative activity of the Unternehmensgruppe Theo Müller are assessed as being relatively low. However, individual Group companies are exposed to foreign exchange risks associated with planned payments outside their respective functional currencies. These relate mainly to milk purchases in the Czech Republic and Poland and to euro purchases of the British companies. The Unternehmensgruppe Theo Müller uses currency derivatives for hedging purposes with a view to securing these payments for up to 18 months in advance. As a result of these hedging transactions the Unternehmensgruppe Theo Müller was not exposed to any significant currency risks in the operative area as of the balance sheet date.

Foreign currency risks in the financing area arise from the USPP bonds on the US market. Of these, 100.0%, i.e. USD 195 million of USD 195 million (prior year: 99.8%; USD 331 million of USD 332 million; interest payments and principal amount) are hedged through the use of currency derivatives at the balance sheet date.

The following table presents the nominal volume and recognized fair values of foreign currency derivatives as of the balance sheet date. The nominal value is understood to be the equivalent value, denominated in the functional currency of hedged foreign currency amounts purchased or sold from or to external contracting parties.

In T€	Nominal values			Market values
Currency derivative	Purchase	Sale	Total	12/31/2019
GBP	-100,845	124,942	24,096	-933
CZK	-26,606	0	-26,606	568
PLN	-24,523	30,956	6,433	564
ILS	0	1,716	1,716	-30
USD	-175,556	14,200	-161,357	25,109
NOK	-5,369	0	-5,369	191
AUD	0	0	0	0
SEK	-370	0	-370	12
HUF	-3,007	0	-3,007	17
HKD	-670	0	-670	11
	<b>-336,947</b>	<b>177,815</b>	<b>-159,132</b>	<b>25,518</b>



In T€	Nominal values			Market values
Currency derivative	Purchase	Sale	Total	12/31/2018
GBP	-33,225	27,639	-5,586	-420
CZK	-11,592	0	-11,592	33
PLN	-6,834	0	-6,834	129
ILS	0	0	0	0
USD	-271,820	0	-271,820	32,395
NOK	-2,020	0	-2,020	-10
AUD	0	627	627	11
SEK	-773	0	-773	7
HUF	-1,552	0	-1,552	5
	<b>-327,816</b>	<b>28,266</b>	<b>-299,550</b>	<b>32,150</b>

The market values in the table represent derivative financial assets or liabilities of the Unternehmensgruppe Theo Müller Whereas the nominal values relate to the hedging volume (hedged future exposure), expressed in euro. The residual term of the derivative financial instruments used for currency hedging is a maximum of 12 months as of the balance sheet date. The only exception is the hedging instrument for the USPP with a residual term of 30 months.

The table below lists the material currencies of the financial assets and financial liabilities as of the balance sheet date, which are subject to a currency risk from the perspective of the respective Group company. The euro exposure from companies denominated in foreign currency are classified to the respective functional currency of the Group companies.

In T€ - 2019	Currency risk total	USD	GBP	CZK	CHF	NOK	AUD	PLN	HKD	HUF	ILS
Cash reserve	14,586	681	9,167	771	1,030	0	12	235	2,687	2	0
Trade accounts receivable and other assets	28,576	12,747	12,037	1,611	0	0	320	217	0	914	729
Financial assets – Asset Management	28,396	26,173	0	0	2,223	0	0	0	0	0	0
USPP bonds	-155,578	-155,578	0	0	0	0	0	0	0	0	0
Liabilities to banks	-45,075	-40,198	-6,118	-199	413	1,653	39	-759	-98	190	0
Trade payables	-8,918	-1,135	-7,383	-164	-29	0	0	-184	0	-24	0
Net exposure	-138,013	-157,309	7,704	2,020	3,637	1,653	372	-491	2,589	1,083	729

In T€ - 2018	Currency risk total	USD	GBP	CZK	CHF	NOK	AUD	PLN	HKD	HUF	ILS
Cash reserve	13,196	3,689	6,538	367	1,528	407	316	-339	-266	956	0
Trade accounts receivable and other assets	34,130	13,249	17,907	1,230	0	0	606	161	0	351	626
Financial assets – Asset Management	25,788	18,723	0	0	7,065	0	0	0	0	0	0
USPP bonds	-263,621	-263,621	0	0	0	0	0	0	0	0	0
Liabilities to banks	116,333	26,199	88,242	1,892	0	0	0	0	0	0	0
Trade payables	-5,772	-2,586	-13,953	6,274	-137	0	0	4,884	-250	-4	0
Net exposure	-79,946	-204,347	98,734	9,763	8,456	407	922	4,706	-516	1,303	626

### **Sensitivity analysis**

The Unternehmensgruppe Theo Müller has implemented a system based on sensitivity analysis in line with the various methods of risk analysis and risk management. The sensitivity analysis supports risk managers in the identification of risk positions of the individual business units. The sensitivity analysis calculates the impact of hypothetical changes of risk variables on earnings and equity capital. In addition to currency risks, the Unternehmensgruppe Theo Müller is also exposed to interest rate risks. The sensitivity analysis includes all financial instruments of the Unternehmensgruppe Theo Müller. The periodic impact is determined by relating the hypothetical changes of risk variables to the financial instruments portfolio as of the balance sheet date, assuming that the portfolio as at the balance sheet date is representative for the financial year as a whole.

The risk assessment concerning currency risks assumes a 10 % appreciation or depreciation of the euro against all foreign currencies. As a general rule, all financial instruments which are not denominated in the functional currency of the respective Group companies are considered as being exposed to a currency risk. This category of risk relates in particular to cash and cash equivalents, trade receivables, financial assets of the asset management trade payables and financial liabilities.

If the euro appreciates or depreciates by 10 % relative to the following currencies, the effect on profit and loss is shown in the table below. The presentation assumes that all parameters – most of all the interest rate – would remain unchanged. This assumption also applies to the presentation for the previous period. The sensitivity analysis rotates all currency pairs against the euro.

In T€ - 2019	-10 % P/L	+10 % P/L
GBP	-11,182	5,869
CZK	2,706	-2,178
PLN	2,869	-1,464
USD	5,137	-4,363
CHF	480	-393
ILS	-113	92
HKD	353	-288
HUF	263	-199
AUD	41	-34
SEK	-25	21
NOK	-61	50
	<b>468</b>	<b>-2,887</b>

The situation in the previous year was as follows:

In T€ - 2018	-10 % P/L	+10 % P/L
GBP	-14,221	10,759
CZK	1,584	-1,265
PLN	1,457	-1,190
USD	1,383	-1,390
CHF	155	-126
ILS	70	-57
HKD	-66	55
HUF	244	-193
AUD	252	-206
SEK	87	-71
NOK	269	-220
	<b>-8,786</b>	<b>6,096</b>

The significant exchange rates in the reporting year are presented under "Currency translation".

#### **b) Interest rate risk**

Interest rate risks arise from on- and off-balance sheet interest-bearing financial instruments and are dependent on the volatility of market interest rates. Market interest rate volatility is evidenced by interest rate changes and rotations of the yield curve. The total effect determined from the sensitivity analysis relates to the interest bearing financial instruments as of the balance sheet date and shows the effect on the net interest result through a parallel shift in the interest curve based on a revaluation of the fixed interest financial instruments measured at fair value. Variable interest derivative financial instruments impact the net interest result in the sensitivity analysis. Fixed interest financial instruments generally do not have a profit or loss effect on the net interest result. They only have a profit or loss effect in the other financial result when measured at fair value through profit or loss.

The balance of interest-bearing financial instruments are broken down by each material currency as of the balance sheet date as follows:

Amounts in T€ - 2019	Total	EUR	USD	PLN	CHF	GBP	CZK	HKD	NOK	AUD	HUF
<b>Non-current financial assets</b>											
▪ Other loans	23,830	23,184	0	0	95	551	0	0	0	0	0
▪ Loans granted	8,000	8,000	0	0	0	0	0	0	0	0	0
<b>Other financial assets</b>											
▪ Loans granted	125	105	0	0	0	0	20	0	0	0	0
<b>Fixed interest financial instruments</b>											
▪ Securities held as non-current assets	2,595	2,595	0	0	0	0	0	0	0	0	0
▪ Securities held as current assets	0	0	0	0	0	0	0	0	0	0	0
<b>Variable interest financial instruments</b>											
▪ Securities held as non-current assets	0	0	0	0	0	0	0	0	0	0	0
▪ Securities held as current assets	0	0	0	0	0	0	0	0	0	0	0
<b>Cash and cash equivalents</b>	88,337	74,211	681	235	1,030	9,167	772	2,227	0	12	2
<b>Financial liabilities</b>											
▪ USPP bonds	155,578	0	155,578	0	0	0	0	0	0	0	0
▪ Received loans	48,152	47,467	0	0	0	685	0	0	0	0	0
▪ Liabilities due to banks (long-term / short-term)	480,434	434,715	40,198	1,397	-413	6,123	199	97	-1,653	-39	-190
<b>Total:</b>	<b>807,051</b>	<b>590,277</b>	<b>196,457</b>	<b>1,632</b>	<b>712</b>	<b>16,526</b>	<b>991</b>	<b>2,324</b>	<b>-1,653</b>	<b>-27</b>	<b>-188</b>

Amounts in T€ - 2018	Total	EUR	USD	PLN	CHF	GBP	CZK	HKD	NOK	AUD	HUF
<b>Non-current financial assets</b>											
▪ Other loans	4,500	3,821	0	0	91	588	0	0	0	0	0
▪ Loans granted	14,253	9,816	0	0	4,437	0	0	0	0	0	0
<b>Other financial assets</b>											
▪ Loans granted	178	143	0	0	0	16	19	0	0	0	0
<b>Fixed interest financial instruments</b>											
▪ Securities held as non-current assets	8,537	6,537	0	0	0	0	0	0	0	0	0
▪ Securities held as current assets	0	0	0	0	0	0	0	0	0	0	0
<b>Variable interest financial instruments</b>											
▪ Securities held as non-current assets	0	0	0	0	0	0	0	0	0	0	0
▪ Securities held as current assets	0	0	0	0	0	0	0	0	0	0	0
<b>Cash and cash equivalents</b>	101,643	88,931	3,689	-403	1,528	6,131	367	-266	407	303	956
<b>Financial liabilities</b>											
▪ USPP bonds	263,930	0	263,930	0	0	0	0	0	0	0	0
▪ Received Loans	12,919	12,170	0	749	0	0	0	0	0	0	0
▪ Liabilities due to banks (non-current/ current)	360,535	242,906	26,199	-2	0	89,540	1,892	0	0	0	0
<b>Total:</b>	<b>763,948</b>	<b>363,778</b>	<b>293,819</b>	<b>344</b>	<b>6,056</b>	<b>96,275</b>	<b>2,279</b>	<b>-266</b>	<b>407</b>	<b>303</b>	<b>956</b>

For the interest risk assessment, the sensitivity analysis shows the effect of a change in market interest rates on the annual result.

The following table shows the sensitivity analysis for financial instruments under the following conditions: a change of (+ / -) 100 basis points in the market interest rate as of December 31 would have led to an improvement/deterioration of the result as follows. All other variables, particularly exchange rates, remain unchanged. This assumption also applies to the presentation for the previous period.

In T€	P&L	
	+100 Basis points parallel rise	-100 Basis points parallel fall
<b>12/31/2019</b>		
<b>Non-current financial assets</b>		
- Other loans	89	-89
- Loans granted	0	0
<b>Other financial assets</b>		
- Loans granted	0	0
<b>Fixed interest financial instruments</b>		
- Securities held as non-current assets	-144	155
- Securities held as current assets	0	0
<b>Variable interest financial instruments</b>		
- Securities held as non-current assets	0	0
- Securities held as current assets	0	0
<b>Cash and cash equivalents</b>	411	-411
<b>Financial liabilities</b>		
- USPP bonds	0	0
- Loans borrowed	-25	25
- Liabilities due to banks (long-term / short-term)	-651	651
<b>Cash flow sensitivity</b>	<b>-319</b>	<b>330</b>
<b>12/31/2018</b>		
<b>Non-current financial assets</b>		
- Other loans	94	-94
- Loans granted	0	0
<b>Other financial assets</b>		
- Loans granted	0	0
<b>Fixed interest financial instruments</b>		
- Securities held as non-current assets	-306	327
- Securities held as current assets	0	0
<b>Variable interest financial instruments</b>		
- Securities held as non-current assets	0	0
- Securities held as current assets	0	0
<b>Cash and cash equivalents</b>	317	-317
<b>Financial liabilities</b>	0	0
- USPP bonds	-238	238
- Loans borrowed	-114	112
- Liabilities due to banks (long-term / short-term)	-1,162	1,162
<b>Cash flow sensitivity</b>	<b>-1,409</b>	<b>1,428</b>

### c) Other price risks

Within the context of presenting market risks, IFRS 7 also requires information as to how hypothetical changes in risk variables would affect the prices of financial instruments. As risk variables, stock market prices or indexes, in particular, come into question. A change in these risk variables influences securities and portfolios (Asset Management) categorized as FVtPL.

The table below shows the impact on the income statement of securities under non-current assets classified as equity instruments or debt instruments when the real-time rate (RT rate) would rise/fall by (+ / -) 10 % as of the balance sheet date.

In T€ - 2019	P&L	
	RT + 10 %	RT - 10 %
<b>Non-current financial assets</b>		
<i>Securities under non-current assets (FVtPL)</i>	7,866	-7,866
thereof		
- stocks	433	-433
- funds	7,433	-7,433

### Credit risk

The credit risk describes the danger of economic loss, which arises when a contracting party does not satisfy its contractual payment obligations. Credit risks includes both the direct default risk as well as the risk of a deteriorating credit standing, associated with the danger of concentration of individual risks. The Unternehmensgruppe Theo Müller is exposed to a default risk from its business operations and certain financing activities.

#### a) Liquid assets

Liquid assets are invested after careful selection of financial institutions and securities issuers. The default risk is reduced by selecting only banks and financial institutions which have at least an A2 rating (Standard & Poor's) or an P2 rating (Moody's) a short-term or long term rating of at least BBB (Standard & Poor's) or Baa2 rating (Moody's) when business transactions are concluded. Further risk minimization is ensured by allocating assets to several banks. These credit risks are strictly monitored and kept within a range of prescribed parameters. Group policies and guidelines ensure that the credit risk vis-a-vis financial institutions is limited. The maximum default risk from investments is reflected in the carrying amounts of financial assets recognized in the balance sheet. The Unternehmensgruppe Theo Müller expects no losses due to counterparties' inability to fulfil their contractual obligations.

The long-term issuer ratings of banks where liquid assets are kept are as follows:

In T€		
Bank balances less overdrafts	12/31/2019	12/31/2018
Aa1	0	37
Aa2	0	268
Aa3	0	-77,631
A1	0	33,952
A2	1,723	13,501
A3	-33,949	13,730
Ba1	-1,775	0
Baa1	9,169	-1,377
Baa2	-109,166	0
Baa3	2,395	0
n/a	309	494
<b>Total</b>	<b>-131,295</b>	<b>-17,026</b>

#### b) Trade accounts receivable and financial assets

Trade receivables result mainly from the sales activities with dairy products and gourmet food of all kinds and their respective distribution as well as the rendering of services and transportation.

The customers in the dairy products segment are comprised of wholesalers, distributors, retail chains and purchasing cooperations. Contrary to commodities, a consolidated, historically embedded customer structure exists for the brands distributed in Germany, Great Britain, Poland and Italy.

In the services segment, the customers are comprised of logistics companies, mainly from food producers. In the deli segment, the customers are retailers and wholesalers as well as co-packers. A consolidated, historically embedded customer structure exists both in Great Britain and in Germany.

The credit risk relates to the payment default risk respecting each customer. The Unternehmensgruppe Theo Müller controls the credit risk from trade receivables on the basis of internal policies and guidelines. To prevent payment defaults, credit information or historical data from past business relationships are obtained. With the exception of a few purchasing cooperations, all trade receivables are covered by credit insurance, which reduces the maximum credit default risk. As of the balance sheet date, T€ 154,527 (prior year: T€ 154,712) of trade receivables are insured. With a 5 to 15% deductible.

In total, individual risk provisions were recognized for trade receivables amounting to T€ 7,927 (prior year: T€ 5,934). With respect to purchasing cooperations which fall under the exception, there is an internal credit limit approved by the management board. Consequently, approximately 99% of all receivables are covered by the internal risk management system.

Default risks are accounted for by way of a risk provision for expected loan defaults in compliance with IFRS 9. The historical defaults on receivables were immaterial in amount. It is assumed that the actual risk is covered by value adjustments for defaulted receivables. In



general, sold merchandise is subject to a reservation of ownership clause up to the time of payment, so that the Unternehmensgruppe Theo Müller has a secured legal claim in the event of non-payment. In addition, credit insurance and any required bank guarantees have a risk-reducing effect. Business transactions with new customers which cannot be covered by credit insurance or are classified as high risk are only concluded on a prepayment basis.

Under economic considerations, approximately 57% (prior year: 55%) of the consolidated net sales are derived from eight customer groups. No other customer group accounts for more than 10% (prior year: 11%) of consolidated net sales. The highest trade receivables balance corresponds to approximately 10% (prior year: 11%) of total trade receivables as of December 31, 2019. Therefore, the Group is not exposed to any significant concentration of credit risks.

The maximum default risk concerning trade receivables corresponds to the carrying amount of these receivables. The maximum default risk for receivables from derivative hedging transactions resulting from positive fair values is reflected in the carrying amounts of financial assets reported in the balance sheet.

The following tables show the risk provisioning for default risks concerning trade receivables by reconciliation of the gross receivables to the net receivables and a reconciliation of the entire risk provisions for trade receivables:

In T€	12/31/2019	12/31/2018
Total trade receivables, gross	829,341	792,814
Less: value adjustments for trade receivables	10,314	7,509
<b>Total trade receivables, net</b>	<b>819,027</b>	<b>785,305</b>

Valuation allowances in this context developed as follows:

	Opening balance 01/01/2019	Utilization	Release	Additions	Currency translation difference	Closing balance 12/31/2019
<b>T€</b>						
Individual risk provisioning	5,630	-271	-267	1,563	254	6,909
ECL	1,879	0	-302	1,776	52	3,405
<b>Total</b>	<b>7,509</b>	<b>-271</b>	<b>-569</b>	<b>3,339</b>	<b>306</b>	<b>10,314</b>

Opening balance 01/01/2018	Disposals IFRS 9	Addition ECL 01/01/2018	Addition (+) / disposal (-) from change in scope of consolidation	Utilization	Release	Additions	Currency translation difference	Closing balance 12/31/2018
<b>T€</b>								
3,576	-190	+2,186	-382	-769	-1,170	+4,286	-28	7,509

**Presentation of the gross carrying amounts per risk category in the 2019 financial year:**

External Rating	Classification to internal rating	Gross carrying amount	Value adjustment	ECL calculation
AAA to BBB-	Performing	T€ 669,281	T€ 1,922	12-months ECL
BB+ to D	Underperforming	T€ 108,886	T€ 1,483	Lifetime ECL

**Presentation of the gross carrying amounts per risk category in the 2018 financial year:**

External Rating	Classification to internal rating	Gross carrying amount	Value adjustment	ECL calculation
AAA to BBB-	Performing	T€ 685,708	T€ 1,508	12-months ECL
BB+ to D	Underperforming	T€ 45,091	T€ 371	Lifetime ECL

The following table provides information about the scope of credit risks involved in trade receivables:

Carrying amounts in T€	2019	2018
<b>Receivables that are neither overdue nor value-adjusted</b>	<b>685,740</b>	<b>648,524</b>
<b>Overdue receivables, without individual risk provisioning, of which</b>		
- less than 30 days	92,160	96,914
- 30 to 60 days	16,688	13,862
- 61 to 90 days	5,372	5,085
- more than 90 days	7,790	7,904
<b>Total</b>	<b>817,750</b>	<b>772,289</b>
<b>Balance of receivables before individual risk provisions</b>	<b>7,927</b>	<b>16,659</b>
<b>Individual risk provisioning on receivables</b>	<b>-6,908</b>	<b>-5,360</b>
<b>Risk provisioning according to IFRS 9 (Level 1 &amp; 2)</b>	<b>-3,405</b>	<b>-1,879</b>
<b>Debtors with credit balances</b>	<b>3,975</b>	<b>4,020</b>
<b>Foreign currency valuation</b>	<b>-312</b>	<b>-154</b>
<b>Carrying amount (net)</b>	<b>819,027</b>	<b>785,305</b>

**Receivables and other assets**

The maximum credit risk position from receivables and other assets corresponds to the carrying amount of these instruments. The Unternehmensgruppe Theo Müller does not consider this credit risk to be significant.

**Financial assets**

The carrying amount of the financial assets represents the maximum credit default risk.

### Maximum default risk

The maximum default risk is reflected through the carrying amount of the financial instruments and financial assets (including derivative financial instruments with positive market values) reported on the balance sheet.

### [31] Relationships with related companies and persons

Directly and indirectly related companies and persons are associated companies, joint ventures and unconsolidated subsidiaries of Unternehmensgruppe Theo Müller as well as persons that have a material influence on the financial business policies of Unternehmensgruppe Theo Müller. This mainly includes the managing director of the parent company and members of the supervisory board.

### Transactions with related persons and companies

Within the framework of normal business, the companies of Unternehmensgruppe Theo Müller also receive supplies and services from related companies and persons. These supplies and services are settled at the same prices as with third parties ("arm's length"). Furthermore, supply relationships for the purchase and sale of goods exist between the Group companies and joint ventures.

The following table provides an overview of transactions with the above mentioned related companies and persons, broken down by types of transactions.

	Transaction volume		Receivables		Liabilities	
	2019 T€	2018 T€	12/31/2019 T€	12/31/2018 T€	12/31/2019 T€	12/31/2018 T€
<b><u>Sales / purchase of assets</u></b>						
to other related companies	0	0	0	0	0	0
from other related companies	0	0	0	0	0	0
to joint ventures <sup>1</sup>	1,905	10,999	0	1,436	0	0
from joint ventures <sup>1</sup>	0	-18,578	0	0	0	0
<b><u>Services purchased or provided</u></b>						
to other related companies	389	755	38	212	0	0
from other related companies	-9,972	-4,008	0	0	1,126	347
to joint ventures <sup>1</sup>	541	742	206	295	0	0
from joint ventures <sup>1</sup>	0	-87	0	0	0	0
<b><u>Loans</u></b>						
from other related persons	-35	66	0	0	2,469	2,436
<b><u>Loans granted</u></b>						
to other related companies	0	0	20,727	0	0	0

(expense (-))

<sup>1</sup> includes direct transactions between investment companies and the respective parent company as well as all other transactions with other Group companies

### **Remuneration for management and key executives**

The remuneration for management and other executives in key positions of Unternehmensgruppe Theo Müller S.e.c.s. during the course of the financial year is as follows:

In T€	Expense	Open items	Expense	Open items
	2019	12/31/2019	2018	12/31/2018
Benefits to employees falling due in the short- term	4,452	500	3,299	1,200
Benefits after termination of employment	130	0	0	0
<b>Total</b>	<b>4,582</b>	<b>500</b>	<b>3,299</b>	<b>1,200</b>

### **[32] Average number of employees**

The average number of employees of the Unternehmensgruppe Theo Müller and its breakdown is presented as follows:

Average number of employees	2019	2018
Salaried employees	6,146	6,481
Industrial employees	16,330	18,122
Trainees/apprentices	228	329
Others	377	508
Temporary workers	1,157	1,411
<b>Total</b>	<b>24,237</b>	<b>26,851</b>

### **[33] Audit fees**

In the 2019 financial year, the following expenses were recognized for the auditors of the consolidated financial statements of Unternehmensgruppe Theo Müller S.e.c.s.: .

Audit fees in T€	2019	2018
Audit services	1,657	1,649
<i>of which for the prior year</i>	72	114
Other attestation services	0	30
Other services	1,896	46
<b>Total</b>	<b>3,553</b>	<b>1,725</b>

### **[34] Post balance sheet date events**

At the beginning of December 2019, the first cases of a previously unknown lung disease occurred in Wuhan / China, which can be traced back to the Sars-CoV-2 virus ("Coronavirus"). After coronavirus had in the meantime spread very quickly across numerous countries to Europe, the World Health Organization WHO declared a pandemic on 11 March 2020. A few days later, on 17 March 2020, the Luxembourg government declared a state of emergency for the Grand Duchy of Luxembourg. This decision, and the rigid measures and restrictions it entails, which were implemented in a similar form by many other European countries almost simultaneously, currently have far-reaching consequences for public and economic life throughout Europe. The common objective of all affected countries is to prevent further uncontrollable spread of the virus and to prevent national health care systems from being overburdened. In order to mitigate the economic impact of the pandemic, governments in Europe immediately began to adopt state aid packages in an unprecedented volume. Due to the enormous impairment of economic development by the pandemic, a significant decline in gross domestic product is to be expected in all affected countries, the amount of which is directly dependent on the duration of the restrictive measures and the effectiveness of government aid measures.

The Unternehmensgruppe Theo Müller S.e.c.s. has, based on the national and international recommendations for conduct issued by governments and authorities, responded immediately to the outbreak of the crisis with appropriate contingency plans to protect the health of its employees throughout the Group and ensure the economic viability and performance of the entire Group. As a food manufacturer, the Unternehmensgruppe Theo Müller is systemically relevant for a functioning community. As a result, the group of companies is not subject to any restrictions in its core business areas, but instead is able to register increased demand for the products manufactured. The further economic effects, which cannot be foreseen at present, depend on the future development of the corona pandemic and the timing of an emerging economic recovery.

There were no other significant changes in the economic environment and the situation in the industry between the balance sheet date and the preparation of the consolidated financial statements of the Group.

Luxembourg, May 12, 2020

Unternehmensgruppe Theo Müller S.e.c.s.,

as represented by the corporate general partner, Unternehmensgruppe Theo Müller S.à r.l., which, in turn, is represented by its managing directors

Werner Stegmüller

Marcus Almeling



## **Audit report**

To the Partners of  
**Unternehmensgruppe Theo Müller S.e.c.s.**

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## **Report on the audit of the consolidated financial statements**

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### **Our opinion**

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Unternehmensgruppe Theo Müller S.e.c.s. (the "Company") and its subsidiaries (the "Group") as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### *What we have audited*

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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### **Other information**

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated management report but does not include the consolidated financial statements and our audit report thereon.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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**Responsibilities of the Board of Managers for the consolidated financial statements**

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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**Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;
- conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The English version of the consolidated financial statements has been prepared based on the German version. In case of discrepancy of interpretation between the English and the German version, the German version shall prevail.

### **Report on other legal and regulatory requirements**

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 12 May 2020

Patrick Schon