



PRESS BRIEFING

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MESTEMACHER

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Industrial Bakery Group Mestemacher achieves record sales in 2023 with hygienically packaged breads, frozen cakes and crispbreads

8.3 per cent net sales growth compared to 2022 provides the industrial bakery Group with the best growth, generated by its range of easy to stock vegan and vegetarian breads as well as crispbreads. The trend towards healthy and environmentally-conscious eating habits further facilitates the resilience of the business model. The German Federal Network Agency (BNetzA) classifies the entire area of bread and baked goods production as a “production area that is particularly deserving of protection”. Mestemacher is also cooperating with diabetesDE – Deutsche Diabetes Hilfe e.V. in 2024 and is expanding its collaboration there.

Mestemacher Group compact

In 2023, the bread and baked goods Group, which is more than 400 years old, will grow to generate a net turnover of 170 million euros. The Group benefits from the trend towards healthy and environmentally-conscious eating habits with vegan and vegetarian breads. Consumer behaviour towards stockpiling food with a longer shelf life is also impacting this trend positively. In addition, demand for frozen cake slices is growing and more and more consumers are turning to crispbread as a snack between meals.

With net sales of 170 million euros, the Mestemacher Group grows by 8.3 per cent in 2023, when compared to the previous year 2022 (157 million net sales). The growth is the result of increased sales volumes and price increases to offset higher costs for personnel, energy and raw materials.

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For the current financial year 2024, net sales are expected to amount to 174 million EURO. This corresponds to a growth rate of 2.4 per cent.

In 2023, the Mestemacher Group will sustainably invest EUR 10 million. In 2024, an investment is planned of approximately EURO 13 million.

The Group employs a total of around 650 people. In 2023, a follow-up collective agreement (01.04.2023 - 30.04.2024) was concluded with a term of 13 months. The pay increase was 7 per cent on 1 July 2023 and a further 1.5 per cent on 1 November 2023. In addition, an inflation adjustment premium (IAP) of EUR 1,250 was paid to part-time employees on a pro rata basis. The associated additional personnel costs amount to well over EUR 1 million for the period. Personnel costs will continue to exert pressure on operating profits and, as such, on investment capital in the future.

The Mestemacher Group's export share is around 30 per cent. Of this, around 72 per cent of export sales are generated in the member states of the European Union. Mestemacher sells approximately 16 per cent of its export volume outside Europe – in particular to North America, Canada, Australia, New Zealand, Asia, and the United Arab Emirates. Mestemacher supplies about 12 per cent of the export volume of self-service packaged bread and baked goods to European countries that are not EU members. The Mestemacher Group does not have its own sales companies abroad but does cooperate closely with independent import companies.

A sustainable drop in purchase prices is not expected for organic and conventional rye, due to a further reduction in acreage of around 6 per cent. Here, in particular, prices for ingredients such as seeds, which are imported from Asia - for example psyllium seeds from India - are under price pressure due to the attacks by Houthi rebels on ships in the Red Sea. Prices for ship transport, especially for containers, are at risk of increasing, as shipping traffic around the Cape of Good Hope is taking significantly longer. However, the duration of the crisis will be decisive for further developments. In view of the challenging situation, we can only speculate on this.

Frozen fruit is an important ingredient in the production of frozen cakes. When compared to the previous year, prices from the 2023 harvest have increased. No price reduction is expected, due to the energy costs for cooling and weather influences, which can lead to blossom damage and correspondingly reduce crop yields.

The consequences of climate change are also likely to negatively impact purchase prices in the future. Freight costs are rising due to the increase in the CO₂ surcharge on fuel, the increase in tolls and labour costs. When compared to 2022, energy costs have

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multiplied for the Mestemacher Group in 2023. In 2024, energy costs will remain at a high level.

In Germany, the Mestemacher Group supplies bread and baked goods to the top 4 food retailers, which represent 79.6 per cent of the market. These are the groups Edeka, Schwarz Group, Rewe Group and Aldi (source: Lebensmittel Zeitung, 30/09/2022).

Sustainability and the environment are relevant areas across the whole Group, whose status is as follows:

- The development of a sustainability strategy for the Mestemacher Group is in progress.
- The process includes the preparation of a sustainability report in accordance with the standard of the Global Reporting Initiative (GRI).
- Preparations are underway to carry out the Sedex Members Ethical Trade Audit (SMETA), which will take place at Mestemacher GmbH in Q2 2024. The implementation of the SMETA requirements has also begun at Aerzener Brot und Kuchen GmbH.
- The process includes the establishment of a compliance management system with a Code of Conduct and Guidelines.
- A whistleblower system has already been implemented at the subsidiaries of the Mestemacher Group.
- The process includes the preparation of carbon footprints for the individual companies of the Mestemacher Group for the base year 2020.
- The development of science-based CO₂ reduction targets in accordance with the Science Based Targets initiative (SBTi) is in progress.
- The process involves the continuous optimisation of packaging to improve the circular economy and recyclability by reducing the amount of film, its resealability, and the partial conversion to PP monofilm.
- The Nutri-Score for Mestemacher brand products is currently being recalculated.

Not only are all Mestemacher Group sites specialised bakeries; they also have mills where the rye is freshly milled just-in-time.

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Experiences gained after founding the Advisory Board

Almost two years of positive experience gained with the establishment of an Advisory Board to separate monitoring and operational management.

The Advisory Board meets at regular intervals, four times a year, under the leadership of the chairperson of the Advisory Board, the former member of the Board of Management of BMW AG, Mrs Milagros Caiña-Andree. The Advisory Board has no operational management role. 5 persons and one non-voting member of the Advisory Board are represented on the Advisory Board. From today's perspective, the results of the Advisory Board's activities impact the development of the Mestemacher Group in a very positive way.

Brief reports on subsidiaries

Mestemacher GmbH

Mestemacher GmbH has been part of the Mestemacher Group since 1985. The main company in Gütersloh, founded in 1871, celebrated its 150th anniversary in 2021. The "Mestemacher - the lifestyle bakery" brand is a flagship brand and a nationally and internationally established bread brand.

Mestemacher supplies the self-service bread departments of food retailers in Germany and in more than 80 countries around the world. The product groups consist of wholemeal rye breads in organic and conventional quality, WESTFÄLISCHER pumpernickel, with a protected geographical indication (PGI), multi-seed breads and toast rolls, high protein breads and toast rolls, as well as international bread specialities.

Specialities are:

- Specialisation in the production and distribution of naturally-pasteurised bread specialities with a long shelf life, when stored, unopened.
- World market leader in the niche of packaged wholemeal breads and pumpernickel.
- Own milling operations for just-in-time production.
- Corporate film "50 German Leaders", produced by TBD Media, London.

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- Own VEGAN/VEGETARIAN seal of approval. Approx. 90 per cent of the breads are suitable for a vegan diet. Approx. 10 per cent are suitable for a vegetarian diet.
- Combined heat and power plant since mid-2012

Outstanding awards are:

- CUSTOMER FAVOURITE 2023 MOST POPULAR BRAND
- TOP BRAND 2022 "Company of the Year" in the "Bread and Baked Goods" category according to a 2024 study by the Institute for Management and Economic Research (IMWF) on behalf of DEUTSCHLAND TEST

As the first producer of packaged wholemeal bread from certified organic farming, the industrial bakery has been promoting the existence and operational growth of organic farmers since 1985. Organic farming stands for harmony between soil, water, plants, animals and people. Organic cultivation foregoes the use of any chemical sprays and fertilisers, in addition to protecting the environment. Organic farming protects groundwater from excessive nitrate pollution and contributes to maintaining soil fertility.

Starting in 2024:

Expansion of the cooperation with diabetesDE - Deutsche Diabetes-Hilfe e.V.

On the one hand, additional varieties of bread are to be included in the cooperation, and new markets are to be tested. On the other hand, the joint organisation and implementation of the award ceremony for a new prize to be created on the subject of nutrition and sustainability has been agreed.

A healthy and balanced diet is not only important for the general population, but also and especially for people with diabetes. Plant-based foods, lots of fibre, valuable vegetable protein and low amounts of sugar, salt and fat are beneficial.

Mestemacher's wholemeal breads meet these criteria, making them ideal for people with and without diabetes. This is made clear by the recommendation button "also recommended by diabetesDE - Deutsche Diabetes-Hilfe", which is displayed on selected Mestemacher breads such as "PURE NATURAL", "PURE NATURAL CARROT", "PURE NATURAL PUMPKIN", "Fitness Bread" and "High Protein Bread Classic" and offers consumers guidance.

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From 2024, the collaboration with diabetesDE will be expanded and the recommendation button will also be displayed on the breads "High Protein Protein Bread with Almonds", "High Protein Protein Bread with Walnuts", "High Protein protein bread with carrots", and "High protein bread -fine-".

Who is diabetesDE – Deutsche Diabetes-Hilfe e.V.?

diabetesDE – Deutsche Diabetes-Hilfe is the leading German health organisation for currently 11 million people with *diabetes mellitus*. It actively campaigns for the interests of diabetes patients, their relatives and at-risk patients and to improve their quality of life. It helps people with diabetes by offering reliable, scientifically based information and practical tips.

Aerzener Brot und Kuchen GmbH

Aerzener Brot und Kuchen GmbH has been part of the Mestemacher Group since 2002. Aerzener Brot und Kuchen GmbH is a PRIVATE LABEL and own brand supplier of self-service packaged, portioned bread and bakery products, frozen cakes private label and crispbreads in organic and conventional quality, both private label.

Aerzen produces bread with a best-before date (BBD) of 28 days with clip and bag, as wholemeal, seeded and protein bread, as well as long-life wholemeal bread with a BBD of 180 days.

The principal market is Germany, with distribution via German food retailers, especially in the private label sector – i.e. particularly low-priced wholemeal breads and cakes.

Aerzener Brot und Kuchen GmbH also offers frozen tray-baked cakes, which are very popular with consumers, for retailers' own brands. Increasingly, however, bread specialities are also baked in Aerzen in order to reduce dependence on "entry-level price breads".

Since 2018, the company's own milling technology has also been commissioned in Aerzen, as planned. Mestemacher and Modersohn have already been working with their own mills for storing, cleaning, conveying and grinding bread rye for a long time. In Aerzen, too, the milled rye is now produced specifically for the company's own operations and enters production just-in-time. This means that all locations of the Mestemacher Group are now not only special bakeries, but also milling plants.

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In total, we have approved the highest investment total to date in 2022 since the takeover of Aerzener Brot und Kuchen GmbH, amounting to 11.6 million euros. The investment is split into 6.7 million for the extension of the dispatch hall with offices, social and break time facilities as well as a workshop. The remaining 4.9 million euros will be used, in particular, to automate and rationalise the production processes of the three product portfolios: wholemeal bread, frozen cakes and crisp breads.

The new building will provide modernised workplaces, break and recreation rooms, as well as changing rooms and washrooms. Charging stations for hybrid and electric cars will also be installed here. A photovoltaic system is also being set up in Aerzen. A modern workshop makes it possible to do more work in-house and save on external service costs.

Measures for Sustainability and Environment:

- Own milling operation for just-in-time production.
- Climate and energy
 - Combined heat and power plant since 2015
 - Energy efficiency measures
 - TÜV-certified green electricity
 - Charging points for electric cars
 - Photovoltaic system on the roof of the break time and social facilities wing of the new building (second construction phase)
 - Carbon footprint currently being created
 - Reduction targets according to the Science Based Targets initiative (SBTi) in planning
- Further examples of improving sustainability
 - FSC®-certified cardboard packaging
 - Use of recyclable films

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Modersohn's Mühlen- und Backbetrieb GmbH (Lippstadt)

Modersohn's Mühlen- und Backbetrieb GmbH was founded in 1876. The subsidiary, based in Lippstadt, specialises in the production of tinned bread with an expiry date of more than 360 days, original WESTFÄLISCHE pumpernickel bread, and regional WESTFÄLISCHE wholemeal bread specialities. The tinned breads are particularly popular for taking along on holiday trips and expeditions, as the sliced pumpernickel and wholemeal breads can be enjoyed, when stored unopened, for at least 12 months. The reusable bread tins are excellently suited for storage purposes.

In 2023/2024, the owner families are investing over 7.2 million euros in an extension. With a net floor area of almost 3,000 square metres, the extension consists of office space, social rooms, training rooms, a dispatch area with 2 loading ramps and optimised storage areas. Charging points for electromobility will also be installed here. The roof surfaces are structurally designed for the installation of a PV system. Heat pumps are used to heat the offices. The hall is heated with the existing boiler system; waste heat from existing production processes is taken into account when determining the heat requirement.

New Mestemacher Group logistics centre

In the second half of 2023, the 150-year-old Gütersloh-based industrial bakery, Mestemacher, began centralising the complex logistics processes of the family-owned bakery Group. For this purpose, the Hagedorn Group leased a 9,000 square metre hall on the Gustav-Winkler-Straße industrial estate in Bielefeld-Hillegossen on a long-term and sustainable basis for the family bakery Group.

The rental property has been built in an environmentally-friendly way. A photovoltaic system will be installed on the roof. The hall is heated by an air-to-air heat pump. The office and recreational rooms are modern and create a pleasant working atmosphere.

The modern logistics centre centralises the logistics operations that were previously distributed across several locations in East Westphalia-Lippe and Lower Saxony.

Growth forecast in the addressed market

The Mestemacher Group has a leading supplier and sales position in a highly attractive and resilient niche market for health- and environmentally-conscious breads and speciality breads, which is supported by ongoing trends.

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The most important market trends are:

- a healthy lifestyle
Growing health concerns and costs are driving demand for foods with a high protein and fibre content as well as valuable omega-3 fatty acids.
- more convenience
Consumers who are pressed for time are looking for convenience products with new packaging for longer shelf life.
- regionality / sustainability
Consumer awareness is strengthened regarding the importance of product origin.

The Mestemacher Group strategically combines a robust flagship brand Mestemacher with a well-established private label business, which is distributed across all major food retailers and discounters to a variety of different customer groups.

Superior quality through a deeply-integrated production process

Consumers who are pressed for time are looking for practical products with new packaging for a longer shelf life.

International presence in more than 80 countries worldwide

The Mestemacher Group has a long-standing and growing export business with a share in this segment that by far exceeds that of its German competitors, as the products are characterised by a naturally long shelf life when stored unopened.

The key export products are self-service, packaged WESTFÄLISCHE pumpernickel breads, wholemeal rye breads in organic and conventional quality, high protein breads and toast rolls, oilseed breads and toast rolls in organic, and conventional quality, international bread specialities and crispbreads in organic and conventional quality.

Clear growth strategy, based on a solid business model, geared towards future growth

The Mestemacher Group's crisis-proof business model is reflected in its impressive sales growth. Mestemacher has proactively addressed key market trends such as health, customer benefit optimisation, sustainability and regionality, demonstrating its commitment to keeping pace with changing consumer preferences. The company maintains high quality standards for bread, frozen cakes and crispbread, supported by customer-orientated marketing and a commitment to sustainability. Strategically, the Group adapts to global health trends and promotes international growth.

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