

Press Release

FROSTA invests in sustainability with “fish from the field” and paper bags Turnover increases in 2019, profit declines

Bremerhaven, February 27, 2020

FROSTA AG increased its turnover in 2019 compared to the previous year by 2.7 % to EUR 523m. In Germany, the driving force was the own brand FROSTA, which grew by 18.5 % (source: IRI 2019) and thus significantly faster than the market. The plus was in double digits for the sixth time in a row. The highest brand growth was achieved in the area of complete meals (+23.9 %) (source: IRI 2019). The group's annual profit decreased from EUR 20.0m to EUR 12.6m. In the short term, investments in future-oriented projects such as paper packaging and the new products “fish from the field” have a negative impact on the result; in the long term, FROSTA is convinced of their success. “Back in 2003, when we initially introduced the Purity Command, which was expensive, we showed that long-term success is important. This applies to the new paper bags and the herb click box as well as to our “fish from the field”, says FROSTA board member Felix Ahlers.

“Fish from the field” - a sustainable alternative

Global demand for fish will continue to grow, but fish stocks will not. FROSTA has therefore worked intensively on alternatives in the past year. The market for plant-based products in Germany already achieves sales of EUR 1 billion. Young people in particular are eating more and more consciously and are looking for vegetarian or vegan alternatives to fish and meat. So far, the offer on the market has mainly been limited to alternatives for meat, and there are hardly any offers without an abundance of additives and flavorings. Under the motto “Harvested - not caught”, FROSTA is now introducing “Fish from the Field”, a purely vegetable assortment of popular classics such as fried fish, fish fingers and fish burgers, which are made from various bright vegetables, hemp protein and linseed oil as an Omega3 source and crisp breadcrumbs. They contain no flavor enhancers (also no yeast extracts), flavors, colors or preservatives. So far this is unique for fish and meat alternatives! Soy is also deliberately avoided. “And of course there is no bone problem,” says Marketing Director Hinnerk Ehlers. Deliveries to the catering trade start in spring, followed by grocery retail.

Conversion to paper packaging - higher conversion costs than expected

The most important and greatest innovation since the changeover to the FROSTA Purity Command in 2003 is the changeover of the FROSTA plastic bags to pure paper packaging, which was announced in November 2019. After extensive tests, the first products in paper bags are already being produced and delivered. The project is extremely complex and led to significantly higher conversion costs than expected. The conversion of all products is expected to take until the end of the year.

Significant drop in profits due to cost increases – dividend proposed at previous year's level

The Group's net income – earnings after taxes – fell from EUR 20.0m to EUR 12.6m in the year under review.

This deterioration was mainly due to reduced raw material margins in the first three quarters and extraordinary changeover costs for paper packaging.

The number of employees rose both in Germany and abroad by a total of 4.2 %. FRoSTA AG employed 1,852 people on average per year (previous year 1,778).

Investments in the amount of EUR 24.3m remain at a high level (previous year: EUR 37.3m). This sum was used to invest in future projects at all locations.

Earnings per share were EUR 1.85 in the 2019 financial year (previous year: EUR 2.93).

At the Annual General Meeting, the Management Board will propose a dividend payment of EUR 1.60 per share, as in the previous year.

Outlook

For the new fiscal year 2020, FRoSTA expects a positive sales development and an annual profit of 4 % of sales. We will monitor our raw materials markets very closely in order to be able to react quickly to cost increases with reasonable savings and price increases.

The annual financial statements will be available from March 6, 2020 on the company's website www.frosta-ag.com.

Our annual report for 2019 will be published in electronic form on our website by the end of March.

You can find images here:

<https://frosta.brandsuite.com/share/open/frosta+bilanzpressekonferenz+2020>

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