Our ingredients are no secret.
Neither are our numbers.

Annual Report 2022

Food the way it should be.

FRoSTA is for everyone.

FRoSTA

KEY FIGURES FOR THE FRoSTA GROUP

Key figures of the FRoSTA Group

Financial year		2021	2022
Employees (average)	number	1,757	1,712
Revenue	mEUR	527	579
EBITDA	mEUR	57.0	54.8
in % of revenue		10.8%	9.5%
Consolidated profit/loss for the year	mEUR	28.6	24.3
Capital expenditure	mEUR	15.0	21.0
Dividend per share	EUR	1.60	1.60 [1]

[1] subject to approval by the General Meeting

FINANCIAL CALENDAR

Financia Calendar

Event	Date
Presentation of Annual Results	Thursday, 16 February 2023
Virtual Annual General Meeting	Thursday, 27 April 2023
Half-yearly financial report 2023	Wednesday, 12 July 2023

PUBLISHING

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CONTENT

We are chefs. No chemists.

100% free from artificial additives.

FRoSTA PURITY PROMISE

FRoSTA is for everyone.

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

We are deeply saddened by the war against Ukraine and the devastation it has brought to the lives of millions of people, especially to the many Ukrainian employees who work at our Polish plant in Bydoszcz and in many cases still have family members in Ukraine. We have tried to support them with donations and food parcels.

The war is also directly impacting our business, as is reflected in the cost explosion for raw materials and energy as well as the ongoing instability of supply chains for key ingredients. In addition, the climate crisis is having a knock-on effect on our vegetable production in Lommatzsch (Saxony) and Bobenheim-Roxheim (Rhineland-Palatinate). Despite savings and cost discipline, we had to significantly increase our prices in 2022 in order to continue to deliver high quality.

Frozen food is often perceived as particularly energy-intensive. However, the carbon footprint of our products is actually not higher than that of fresh products, because, for example, we use only field-grown vegetables and no greenhouses heated by fossil fuels. Our pasta is prepared fresh and cooked directly, which saves the very energy-intensive drying process of the pasta. In addition, the cooking time of fresh pasta is significantly shorter than that of dry pasta. Overall, energy costs account for only 2.0 % of our production costs in our factories. Currently, we are also exploring the production of our own wind and solar energy.

In 2022, we consciously launched many new dishes using only plant-based ingredients. For the first time, we succeeded in developing a vegan FRoSTA fish finger without additives and flavours. Meat and fish substitutes usually contain many additives, which we have been doing without for 20 years now! In the anniversary year of the FRoSTA Purity Promise, which we introduced on 1 January 2003, we again grew our brand by 21.9 %.

We celebrated the development of innovative vegan recipes with the launch of three new Korean street food dishes. Our goal is to develop vegan options that are so tasty and healthy that no one misses meat or fish. This also has a positive impact on health and on the product carbon footprint (PCF).

The war-related crisis with its many challenges has further reinforced the solidarity of our team, and we thank all our employees for their outstanding performance in a difficult year.

Yours

Felix Ahlers | Maik Busse | Hinnerk Ehlers

MISSION: PASSION FOR PURITY

OUR PASSION FOR PURITY PROVIDES BETTER FOOD TO CONSUMERS IN EUROPE.

We aim for **innovation** in all areas of our organisation.

Our goal is to improve the **quality** of our products and services at every level.

Through our **entrepreneurship** we strive for opportunities in the interest of our customers.

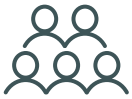
Trust-based **cooperation** with our customers and throughout the whole organisation is very important to us.

Simplicity in our processes and clear priorities improve our efficiency.

ABOUT FRoSTA AG

More than 1,700 people work for FRoSTA AG in seven countries. We produce at three plants in Germany and one in Poland.

FRoSTA is a successful brand for frozen fish, vegetables and meals in Germany, Poland, Austria, Italy and Eastern Europe. The FRoSTA "Purity Promise" is our way of promising that we will never add any colours, flavourings, flavour enhancers, stabilisers or emulsifiers to any of our branded products. FRoSTA products are available from supermarkets and include a range of vegetables, fish, fruit and herbs as well as classic dishes such as Nasi Goreng and Paella. In April 2013, FRoSTA was the first frozen food brand to publish on the Internet the countries of origin of each batch of our ingredients. Since autumn 2015, we have included this information on all of our product packaging as well.



1,712 EMPLOYEES IN **7** COUNTRIES

FRoSTA AG is also a specialist production partner in the development and production of high-quality customer brands for the European retail and wholesale sectors.

→ CLICK HERE FOR MORE INFORMATION.

OUR BUSINESS

VEGETABLES, FRUIT AND HERBS FROM OUR OWN AND PARTNER FARMS

Vegetables Fruit Herbs

FISH, READY MEALS AND VEGETABLES

Fish Meals Vegetables

BRAND BUSINESS

FRoSTA brand with Purity Promise

La Valle degli Orti brand – Vegetables

PRIVATE LABEL / PRODUCTION PARTNERING / OUT-OF-HOME

copack® Production partner according to customer requirements

Elbtal brand – Vegetables

tiko brand – Fish and meals

FRoSTA FOOD SERVICE

MANAGEMENT BODIES

SUPERVISORY BOARD

Volker Kuhn
Geneva/Switzerland
Businessman
Chairman

Dirk Ahlers
Hamburg
Businessman
Vice Chairman

Torsten Richter
Lommatzsch
Master electrical engineer

BOARD

Felix Ahlers
Hamburg
Chairman

Maik Busse
Bremerhaven

Hinnerk Ehlers
Hamburg

HI THERE, WE’RE NEW!

NEW FRoSTA PRODUCTS IN 2022

The new products that we launched in 2022 are, of course, also subject to the strict FRoSTA Purity Promise. Our products have been consistently free from all additives and flavourings since 2003. Since 2015, we have also included the country of origin of all ingredients on our packaging.

MEALS

SMALL DISHES

Our „Small dishes“ (375 grams) is one of the best selling and most popular FRoSTA ranges. This is a solid reason to launch two new dishes in spring 2022: Red Curry + Tagliatelle Cream Chicken!

→ RED CURRY
→ TAGLIATELLE CREAM CHICKEN

ASIAN STREET FOOD RANGE

Nice Rice: Inspired by the Korean bibimbap, the Nice Rice convinces with a mixture of crunchy vegetables, such as broccoli and mung bean sprouts, and a chili kick. We recommend adding a fried egg on top.

Yummy Tummy Soup: The Yummy Tummy Soup is reminiscent of the Asian ramen. The miso paste, which is typical for this dish, makes it especially delicious. Our chefs recommend to put a soft-boiled egg halved into the Yummy Tummy Soup.

Nom Nom Noodles: Our Nom Nom Noodles not only look delicious because of the colorful vegetables, but taste at least as good because of the refinement with coconut milk. For extra crunch, we recommend sprinkling roasted peanuts on top.

→ NICE RICE
→ YUMMY TUMMY SOUP
→ NOM NOM NOODLES

VEGETABLES

VEGETABLE BOWLS

Six new types of vegetable bowls guarantee vegan vegetable enjoyment with plant-based protein sources. With lots of colorful vegetables, filling vegetable proteins and a variety of sauces and seasonings. In the FRoSTA Vegetable Bowls, freshly harvested deepfrozen vegetables meet valuable sources of protein such as lentils, quinoa, bulgur or chickpeas. The contemporary recipes are vegan and based on national cuisines from all over the world. The various vegetable bowls are perfect for all who want to enjoy a light vegetable meal - prepared quickly and conveniently. Of course according to the FRoSTA Purity Promise, free from additives and flavors.

→ VEGETABLE BOWL MILD CAULIFLOWER RICE WITH BROCCOLI & EDAMAME
→ VEGETABLE BOWL GRILLED ZUCCHINI WITH CHICKPEAS
→ VEGETABLE BOWL CREAMY LENTIL CURRY WITH SPINACH & PUMPKIN
→ VEGETABLE BOWL SPICY BULGUR WITH BLACK BEANS
→ VEGETABLE BOWL SPICY FALAFEL WITH CAULIFLOWER
→ VEGETABLE BOWL GRAINY QUINOA WITH PEAS & KALE

INFLUENCED BY FRoSTA FANS – THE FIRST PRODUCT DEVELOPMENT VIA SOCIAL MEDIA – YOUR FAVORITE VEGETABLE MIX

„Tell us your favorite vegetable and we'll put it in the bag" is the very short summary of the creation of the Favorite Vegetable Mix. As only FRoSTA fans themselves know which vegetables they actually like to eat, the idea came up to let the FRoSTA followers on Instagram and Facebook actively search for their loved ones – with an overwhelming response. Product developer Franzi then brought the recipe into shape and worked out a balanced proportion – the Favorite Vegetable Mix was born. Regular updates on the social media channels were shared directly, such as snapshots during product image shooting or production. This type of media support and active participation of FRoSTA fans – from the idea to the finished product – was unique. The Favorite Vegetable Mix is a line extender of unseasoned vegetable mixes with colorful carrots, broccoli, cauliflower, string beans and peas, available in sustainable paper bags.

→ FAVORITE VEGETABLE MIX

VEGETABLE MIX MEDITERRANEAN STYLE

The FRoSTA Vegetable Mix Mediterranean Style is unseasoned and consists of zucchini, yellow carrots, romaine beans, tomatoes, red peppers, onions and grilled eggplant. It is ideal for cooking Mediterranean dishes, e. g. as a basis for antipasti or a Mediterranean tomato sauce. The preparation in the oven is particularly delicious. Like all our unseasoned Vegetable Mixes it is packed in a sustainable paper bag that can be recycled in waste paper.

→ VEGETABLE MIX MEDITERRANEAN STYLE

NEW PRODUCTS IN ITALY

FILETTI CREMOSI

Based on our popular Schlemmerfilet, we have created the new product line "Filetti Cremosi" with two variants. The special thing is the delicious potato cream which guarantees a distinctive taste.

→ FILETTI CREMOSI WITH MUSHROOMS AND PEAS

→ FILETTI CREMOSI WITH POTATO PUREE, MUSTARD AND CARROTS

CHICKEN NUGGETS WITH POTATOES CHIPS AND PEPPERS

Crispy potatoes give this tender chicken novelty an ‚extra bite'. Green, yellow and red peppers complete the ingredients and add color to the plate.

→ CHICKEN NUGGETS WITH POTATOES AND PEPPERS

PAELLA ALLA VALENCIANA 100% VEGAN

The vegan version of our traditional Paella is our answer to the growing trend towards alternative protein sources and changed consumer behavior. Our Purity Promise once again sets us clearly apart from the competition.

→ PAELLA ALLA VALENCIANA

GRILLED VEGETABLES

With the grilled vegetables, FRoSTA is launching a completely new product range on the market: grilled eggplant and grilled peppers. Like the entire „La Valle degli Orti" range, these products are, of course, also offered free of additives and in a recyclable paper packaging.

→ GRILLED EGGPLANT WITH POTATOES

→ GRILLED PEPPERS WITH POTATOES AND ONIONS

NEW PRODUCTS IN POLAND

FISH

FISH FROM THE OVEN

As Fish from the oven are more and more popular, we decided to broaden our portfolio by offering 3 new recipes.
They are not only very tasty, but also very convenient, as they are complete dishes – with rice or potato puree.
Preparing a delicious fish dish has never been so easy!

→ FISH FROM THE OVEN WITH POTAO PUREE
→ FISH FROM THE OVEN WITH RICE AN SPINACH SAUCE
→ FISH FROM THE OVEN WITH RICE AN CURRY SAUCE

BREADED FISH PORTIONS FOR KIDS

Fish Coins with peas and carrots and Fish Shapes with cheese are our new products especially for children, because this fish variety is particularly tasty and completely boneless.

→ FISH SHAPES
→ FISH COINS

PASTA

In 2022, we have launched another two pasta novelties:
· Tortellini in tomato sauce with vegetables,
· Penne with vegetables in cheese sauce.
These tasty pasta compostions enlarge our offer of vegetarian dishes.

→ TORTELLINI IN TOMATO SAUCE WITH VEGETABLES
→ PENNE WITH VEGETABLES IN CHEESE SAUCE

VEGETABLES

VEGETABLE FINGERS

This our new veggie alternative to fish fingers. Tasty combination of carrot, peas, sweet corn and cheese is covered by crispy breading.

→ VEGETABLE FINGERS

GROUP MANAGEMENT REPORT 2022

OVERVIEW

GROUP MANAGEMENT REPORT OF FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

FUNDAMENTAL INFORMATION ABOUT THE FRoSTA GROUP

BUSINESS MODEL

FRoSTA Group's 1,712 employees are active in 7 countries and produce deepfrozen products at our three plants in Germany and one in Poland. FRoSTA is a successful brand for frozen fish, vegetables and ready meals in Germany, Italy, Poland, Austria and Eastern Europe. In Italy, vegetables are marketed under the "La Valle degli Orti" brand. With our Purity Promise, we have gone without adding any colourings, flavourings, flavour enhancers, stabilisers or emulsifiers to any of our branded products since 2003. FRoSTA products are available from supermarkets and, in addition to traditional dishes such as Bami Goreng, Chicken Fricassee and Paella, include a range of vegetarian and vegan choices as well as vegetables, fish, fruit and herbs. In April 2013, FRoSTA was the first frozen food brand to start publishing the countries of origin of all ingredients on the Internet, and since autumn 2015 it has also done so on product packaging. In autumn 2020, the Company began marketing a plant-based alternative to fish.

The FRoSTA Group also develops and produces high-quality private labels for the food retail and wholesale sectors, for the most part using our retail partners' own brands. However, on request we also offer the secondary brands Tiko (for fish and ready meals) and Elbtal (for vegetables). We also produce a wide range of frozen products as a production partner to industry as well as to our out-of-home customers (supplying restaurant chains and wholesalers).

The FRoSTA Group generates 60% of its business in the German market and 40% abroad.

BRANCH OFFICES

Production is organised across the following branch offices:

- FRoSTA AG Werk Bremerhaven
- FRoSTA AG Werk Bobenheim-Roxheim
- FRoSTA AG Werk Lommatzsch

MANAGEMENT SYSTEM

The FRoSTA Group manages its business operations based on the financial key performance indicators sales and annual net profit.

BUSINESS ENVIRONMENT

GENERAL MARKET AND INDUSTRY CONDITIONS

MACROECONOMIC FACTORS

The 2022 financial year was massively affected by the extraordinary global economic environment. Pandemic, Ukraine war, energy crisis and, lastly, unusually high inflation rates hit the European economy hard. While the Eurozone performed positively during the first few months of the year due to the lifting of the coronavirus lockdown, a recession was forecast for most countries in Europe for the last few months of the year.

CHALLENGING ENVIRONMENT

The whole year was marked by a very high level of uncertainty. Supplies of goods and raw materials were already disrupted as a result of the pandemic – a situation that has only increased with the war in Ukraine. At the same time, the dependence on Russian gas made measures to secure the energy supply urgently necessary. On top of this, prices for almost all raw materials, energy sources and services rose dramatically. Daily business was more than ever dominated by the need to identify savings potential, build up alternative suppliers, increase stocks and maintain maximum transparency at all times regarding the respective cost situation as well as current product calculations. On this basis, we were in many cases able to reach agreement with our customers across Europe on necessary selling price increases.

THE FROZEN FOOD MARKET IN 2022

Retail sales in the German frozen food market for the product groups fish, vegetables and ready meals declined both in terms of volume (-8%) and value (-3%). The FRoSTA brand outperformed the overall market during this period by +3.5% in volume and +8.1% in value (Source: Nielsen Germany 2022 up to 4.12.2022; volume = kilogrammes).

A similar development pattern could be observed on the Italian market. The overall market declined in volume by 4.6% and remained stable in value with +0.2%, while FRoSTA's brand business gained 0.2% in volume and 8.7% in value (Source Iri Italy YTD Nov 2022; volume = kilogrammes).

In the Polish market, the relevant product groups fish and ready meals also declined in volume by 0.7% and increased in value by 14.2%. The FRoSTA brand grew in Poland year on year both in volume (+16.7%) and in value (+26.2%) (Source: Nielsen Poland 2022 up to 27.11.2022; volume = kilogrammes).

Overall, price increases and lower volume sales can be observed in all markets, while the FRoSTA brand is growing in volume and value in all three markets, clearly driving category growth.

BUSINESS DEVELOPMENT, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

DEVELOPMENT OF SALES

Overall, consolidated sales revenue of FRoSTA AG in 2022 increased in line with the forecast by +9.8% (EUR +51.8m) compared to the previous year. The sales volume, by contrast, declined by 5.3%. Brand business was again up year on year both in terms of sales volume (+5.7%) and sales revenue (+22.1%). By contrast, the sales volume (-17.0%) and sales revenue (-6.6%) in private label and industrial business declined significantly, partly due to the return to normal consumer behaviour after the coronavirus lockdown phases of the previous years. Out-of-home business, which caters to restaurants and wholesale customers, on the other hand achieved very strong sales volume and revenue growth (+18.8%/+38.2%) following the lockdown periods of the previous years.

FINANCIAL PERFORMANCE

Amounting to EUR 24.3m, consolidated net income for the year was significantly down on the previous year by -15% and, at 4.2% of sales, was in line with the forecast. This result includes a one-off positive tax effect from prior periods in the amount of EUR 1.6m. Overall, 2022 was strongly influenced by explosive cost increases for almost all raw materials and energies, which it was only possible to pass on to customers with a time delay. The need to build up higher stock levels in order to buffer against supply risks also drove external warehousing costs upwards very sharply. Our employees worked very hard in all areas to achieve internal cost savings. For example, a cross-plant crisis team very quickly ensured independence from gas supplies by converting to alternative oil combustion so as to be able to maintain production in all eventualities. At the same time, the Company responded to the current situation by implementing a raft of measures to reduce energy consumption. Despite this difficult environment, we continued to improve the quality of our products and again significantly increased advertising expenditure for our brand business compared to the previous year. We also forged ahead with digitalisation during the financial year under review. To better address the issue of cyber security, the SAP system was switched to a cloud-based rental licensing model. The purchased SAP licences held as fixed assets were written down, resulting in a one-off impairment charge of EUR 0.8m.

FINANCIAL POSITION, CASH FLOWS AND INVESTMENTS

Capital expenditure totalling EUR 21m in the financial year related to investments in quality improvement, efficiency enhancement measures, energy savings, capacity expansion and digitalisation. EUR 48m (+40% compared to 2021) was used to substantially build up stock levels so as to meet the global supply chain difficulties. The volume of receivables also rose by EUR 14m as a result of the significant selling price increases. These effects were partly offset within working capital by prolonging suppliers' terms of payment. The financing of the necessary funds was secured with EUR 20m by taking out long-term loans and additional short-term working capital lines. Despite the additional borrowing, the equity ratio remained at a very good level of 53.6%. At the same time, the ratio of current assets to current liabilities (current ratio) increased from 172.5% in 2021 to 175.2% in the 2022 financial year. The Group was able to fulfil its payment obligations at all times.

SEGMENT REPORTING

FRoSTA SEGMENT

The FRoSTA operating segment covers the brand business, out-of-home, Home Delivery and industrial business in Europe. This segment accounts for 60% of FRoSTA AG's total sales and grew in terms of value by +16.7% across all countries and categories in the reporting period to EUR 392.5m. The dramatic surges in costs over the course of the year necessitated several selling price increases, which were implemented by mutual agreement with our retail partners. Volumes in this business segment also grew. Once again in the 2022 financial year, recipe quality was improved and expenditure on brand advertising increased. Net income for the year was lower than in the previous year.

COPACK SEGMENT

The COPACK operating segment comprises our private label business in Europe and generated sales revenue of EUR 186.5m in the past financial year (-2.3% compared to 2021). In terms of volume, sales even declined by as much as -15.5%. The product groups fish and vegetables enjoyed particularly high market demand during the lockdown periods of the previous year and accordingly declined significantly in the reporting year. Parallel to this, not all retail partners were willing to extend their supply contracts in line with necessary price increases. The time gap between rising material, energy and logistics costs and the realisation of the new selling prices ultimately led to a significant drop in the net income for the year.

EMPLOYEES AND ORGANISATION

EMPLOYEE NUMBERS

The FRoSTA Group had an average of 1,712 employees in 2022, 45 fewer than in 2021. This drop in headcount was due to the termination of 52 temporary employment contracts. We regret that the decrease in private label production volumes meant we were unable to extend these temporary employment contracts or convert them into permanent positions. On the positive side, we created 7 new permanent positions during the reporting year.

Annual mean number of employees

	2021	2022	Diff.
Total employees	**1,757**	**1,712**	**-45**
of which permanent	1.487	1.494	7
of which temporary	270	218	-52
Distribution by function			
FRoSTA head office	**461**	**449**	**-12**
of which Administration	289	280	-9
of which Sales	172	169	-3
FRoSTA production facilities	**1,296**	**1,263**	**-33**
of which production Bremerhaven	489	487	-2
of which production Bydgoszcz	459	456	-3
of which production Lommatzsch	193	181	-12
of which production Bobenheim-Roxheim	155	139	-16
Group total	**1,757**	**1,712**	**-45**

DIVERSITY AT FRoSTA

55%
share of women among salaried employees

38
nationalities

We believe in gender equality. Therefore, our goal is to achieve a balanced gender ratio at all corporate levels. To enable us to also meet this objective among the members of the Supervisory Board and Executive Board, we are promoting the next generation of young employees. Among salaried employees, women currently make up 55% (2021: 54%) of the workforce. At first-tier management level below the Executive Board they accounted – unchanged from the previous year – for a share of 31%, and at second-tier management level for 43% (2021: 42%).

We are pleased to report that at the end of the reporting year, FRoSTA's workforce was made up of employees from 38 different countries. Working together with people from different cultural backgrounds not only brings diversity to our ready meal recipes, but also enriches day-to-day work in all departments.

NEW WORK AT FRoSTA

By systematically digitalising our workflows, we were able during the coronavirus pandemic to offer our employees in Administration the possibility to work flexibly in terms of time and place. With our FlexFocus scheme, we introduced a highly flexible instrument that will allow employees to continue to benefit from hybrid working arrangements in the future and thus better reconcile work and family life. We provide mobile work equipment and in many areas have implemented modern office concepts that offer an ideal framework for workshops, creative as well as personal meetings and networking. What is important is that we maintain the sense of belonging in the work environment and come together "live" to discuss issues, develop ideas together and take advantage of spontaneous contacts and special occasions to broaden our horizon or enjoy time together.

HEALTH MANAGEMENT AT FRoSTA

Our employees' health is important to us at FRoSTA. Together with our company doctor, we have introduced a communication programme that reaches every individual – no matter where or when. Project initiatives target workplaces directly in order to gain a better understanding of how to overcome the physical and mental strains of everyday work life. Through ergonomics coaching, the introduction of technical aids, training events and return-to-work conversations after an extended period of sickness, we aim to continue to increase awareness of healthy working practices.

EMPLOYEES BECOME SHAREHOLDERS

In 2022, we again offered our employees the option to purchase FRoSTA shares, which we had acquired on the market, at preferential conditions. Even in this inflation-driven year, 477 employees participated in our employee share programme (2021: 536, 2020: 450). A total of 19,746 shares were bought, which although significantly fewer than in the previous year was still higher than in the periods before that (2021: 32,429, 2020: 19,127). The introductory offer, limited to a maximum of 50 shares with an issue price of EUR 19.90 per share, proved the most popular with 18,852 shares purchased (2021: 23,309, 2020: 19,127). Under Proposal II (limited to a maximum of 950 shares depending on seniority), only 894 shares were acquired at an issue price of EUR 49.90 per share (2021: 9,120, 2020: 6,713). The global economic environment and the related development on the stock exchanges were certainly a contributing factor here. Total costs for the programme amounted to kEUR 1,054 (2021: kEUR 1,912, 2020: kEUR 994), which were recognised in personnel expenses.

We are proud that more and more FRoSTA shareholders are active Company employees.

We would like to take this opportunity to warmly thank all of our employees and the Works Council for their outstanding commitment.

APPROPRIATION OF NET PROFIT

The Executive Board will propose to the Annual General Meeting to distribute a dividend of EUR 1.60 per share from net retained profits and allocate the remainder to reserves. Based on 6,812,598 no-par value bearer shares, less 6,133 no-par value bearer treasury shares not entitled to a dividend in accordance with Section 71b of the German Stock Corporation Act (AktG), this results in 6,806,465 no-par value bearer shares entitled to a dividend and a dividend payout of EUR 10.9m.

THE FRoSTA SHARE

Since March 2017, the FRoSTA share has been traded in the Open Market segment of the Frankfurt Stock Exchange (WKN 606900; ISIN DE0006069008; nominal value EUR 2.56). The share price developed as follows:

Key figures for the FRoSTA share (EURm)

	2021	**2022**	**Diff. in %**
Share capital	17.4	17.4	0%
Number of shares (in thousands)	6,813	6,813	0%
Group equity	193.0	205.3	6%
Equity per share (EUR)	**28.34**	**30.13**	**6%**
Share price at year-end (EUR)	86.20	54.00	-37%
Year high (EUR)	96.20	87.00	-10%
Year low (EUR)	69.20	46.50	-33%
Number of traded shares (in thousands)	184.1	97.2	-47%
Net income for the year	28.6	24.3	-15%
P/E ratio (share price at year-end/earnings per share)	20.51	15.14	-26%
Net profit for the year per share (EUR)	**4.20**	**3.57**	**-15%**
Dividend proposal (payout per share) EUR	**1.60**	**1.60**	**0%**

In accordance with Section 160 (1) No. 2 AktG, we refer to the notes to the consolidated financial statements „4) Notes to the Consolidated Balance Sheet“ section „Equity“ in relation to the acquisition of own shares.

SUSTAINABILITY, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

We take responsibility. Please read our current Corporate Social Responsibility Report under the following link:

ANNUAL REPORTS AND SUSTAINABILITY REPORTS AS ePAPERS – FRoSTA AG (FRoSTA-AG.COM)

In 2023, we intend to review our sustainability strategy in order to better coordinate the many initiatives and measures and align them in an even more targeted manner.

REPORT ON OPPORTUNITIES AND RISKS

INTERNAL CONTROL SYSTEM

FRoSTA AG's internal control and monitoring system is enforced by the Group's Financial Controlling department in coordination with all other relevant departments.

The most important financial KPIs are sales growth and profitability. These performance figures and their respective drivers are examined, analysed and discussed in the relevant departments on the basis of financial controlling reports drawn up in daily, weekly and monthly cycles.

The objective is to continuously work on improving the results and at the same time to introduce early measures to counter potential negative developments.

In the context of the monthly Sales & Operations Planning Cycle, rolling forecasts are used to react to future market changes.

The correctness and reliability of our accounting and financial reporting is guaranteed by work instructions in the QM manual and the uniform reporting system in SAP, which applies to all relevant Group companies.

The work instructions in the QM manual also stipulate the material and formal requirements concerning the preparation of the financial statements. Nevertheless, risks can still arise, for example when concluding extraordinary transactions.

Through internal audits conducted by our quality management officers, coupled with internal auditing projects, we support the compliance or adaptation of our processes.

The separation of executive, accounting and approval functions reduces the risk of fraudulent actions.

RISK MANAGEMENT SYSTEM

FRoSTA's risk management system is intended to ensure that risks can be quickly identified and assessed at an early stage.

The risk management officers from the various departments assess the risks on an ongoing basis – if necessary drawing on the advice of external consultants – and initiate appropriate countermeasures.

QUANTIFIED RISK ASSESSMENT

In the following tables, risks are assessed with their probability of occurrence and possible extent of losses.

Risk evaluation

Probability of occurrence		I	II	III	IV	V
very probable very frequent	E	high	high	not acceptable	not acceptable	not acceptable
probable frequent	D	medium	high	high	not acceptable	not acceptable
possible infrequent	C	medium	medium	high	high	not acceptable
low rare	B	low	medium	medium	high	not acceptable
very improbable very rare	A	low	low	medium	medium	not acceptable
Extent of losses		low	moderate	high	critical	poses a threat to the Company's existence

Risk assessment

not acceptable	Risk mitigation measures must be initiated/implemented urgently and without delay.
high	Risk mitigation measures must be initiated/implemented promptly.
medium	Risk mitigation measures must be initiated/implemented in the medium term.
low	The existing/implemented risk mitigation measures are sufficient and effective; no (further) action needed at present.

Risk	**Probability of occurrence**	**Extent of losses**	**Risk**
Product risks	low	medium	medium
Cyber risks	possible	medium	medium
Procurement risks	possible	medium	medium
Energy risks	low	medium	medium
Currency risks	low	minimal	low
Sales risks	low	minimal	low
Financing risks	highly improbable	minimal	low
Legal risks	highly improbable	minimal	low

The individual risks and actions to mitigate their impact are discussed in more detail below.

GENERAL RISKS

Market-related business risks are borne by the Company itself. These include, for example, risks from the development and marketing of new products, sales performance in the various distribution channels and the quality level of our products.

As far as is meaningful, we transfer any risks not stemming from the Company's core areas of activity, such as liability and property damage risks, to third parties.

In addition, FRoSTA implements a Code of Conduct for all employees, which is aimed at raising awareness among the workforce for responsible conduct towards one another, towards business partners, in connection with handling data, as well as towards the environment.

PRODUCT RISKS

Quality and production reliability have the highest priority. We therefore continuously strive to improve food safety and our food safety culture. The quality of the raw materials is monitored by audits at our suppliers' facilities and by checking goods as they arrive at our plants. Despite all due care, quality checks cannot provide a fail-safe guarantee of the quality of raw materials since the thresholds for contamination are becoming ever lower and the checks are only carried out on a random basis.

We also purchase raw materials from BSCI (Business Social Compliance Initiative) risk countries. We thus also bear our share of responsibility for the working conditions at our suppliers, as well as for the respect for human rights. Since 2020, we have therefore required all suppliers from BSCI risk countries to be certified in accordance with an internationally recognised social standard (SA 8000, SMETA or similar).

We are currently working intensively on the implementation of the Supply Chain Compliance Obligations Act (Lieferkettensorgfaltspflichtengesetz – LkSG), which will take effect for our size of company from 1 January 2024 onwards.

Our internal value chain processes are also regularly certified to IFS (International Food Standard) and BRC (British Retail Consortium) standards. All of our plants completed audits in 2022 with a high-level of assurance.

CYBER RISKS

We counter cyber risks with the help of modern IT architecture as well as regular internal and external audits and penetration tests as part of a continuous review process.

PROCUREMENT MARKET

The production of frozen food involves the use of a large number of renewable raw materials from over 30 countries, the procurement of which can be subject to wide-ranging fluctuations. In the case of supplies of raw fish, for example, increased demand coupled with limited fish stocks repeatedly results in supply bottlenecks. The same applies to climate-related crop failures that can affect the procurement of fruit and vegetables. This can result in considerable price fluctuations for raw materials which, depending on the competitive and contract situation, we cannot always pass on directly to our customers.

By cooperating with strategic suppliers, we attempt to smooth out these fluctuations and avoid dependencies. In the case of critical raw materials, we are additionally looking to establish several suppliers in different regions. Our own vegetable production also helps us to be independent and at the same time acquire important agricultural expertise.

As it is not always possible to cover stock requirements for the long term, the setting of selling prices is subject to fundamental risks and opportunities. Price agreements with customers over a period of more than six months increase the uncertainty. For that reason, we try to avoid customer supply agreements which go beyond this period. Alternatively, price escalator clauses for certain raw materials can be included in the selling price agreements. Both are not always possible, depending on the competitive situation.

ENERGY SUPPLY

The war in Ukraine has also led to growing uncertainties over energy supply in Europe, accompanied by sharply rising prices. An alternative use of oil and gas in production creates flexibility to bridge price and supply risks. Logistical risks in long-distance coverage and/or diesel price development are reduced through alternative use of the rail network. In order to reduce dependencies over the medium term, we are accelerating development of a renewable energy supply both within FRoSTA and in collaboration with local partners.

Whether FRoSTA AG's German locations will be able to benefit from the so-called "energy price brake" relief package is currently being examined with suppliers and advisors. Based on current assessment criteria, FRoSTA AG is likely to be classified as a "non-energy-intensive company" and the relief, if any, will not be much. This is a disadvantage particularly because high energy costs are also factored into purchased raw materials and services and are therefore not taken into account.

CURRENCY SITUATION

Exchange rate-related fluctuations in the prices of raw materials have a significant influence on the production costs of our products. Exchange rate fluctuations can therefore negatively impact the gross profit margin and the annual operating profit.

FRoSTA purchases many of its raw materials from international markets. Most of these goods are invoiced in US dollars. We make use of standard currency forwards to hedge exchange rate fluctuations. The aim of currency hedging transactions is to hedge specific contracts or negotiated annual talks for the respective period. In addition, a blanket rolling hedge mechanism smooths out short-term fluctuations. As a basic principle, the hedging of exchange rate risks can only compensate to a limited extent for a continually rising US dollar. Correspondingly, opportunities may derive from declining US dollar exchange rates.

SALES MARKET

The increasing concentration of the retail sector is leading to risks arising from the potential loss of bulk contracts. The Company's broad customer structure with its own brands, private labels as well as the supply of Home Delivery services, caterers and industrial customers supports the hedging of fluctuations with individual customers. Our contracts with our customers normally include items and prices but do not guarantee fixed volumes; this means that the risks or opportunities of fluctuating consumption by end customers lie with FRoSTA.

We limit the risk of defaults on outstanding receivables with the help of a strict reminder system and internal credit limits. We counter political and protectionist risks by assessing the opportunities and risks associated with a given market and, where appropriate, including distribution and/or production partners.

The frozen food market is as a basic principle subject to constant change. Our competitors might respond to product trends more quickly or gain technological leads. We conduct intensive research to identify market trends. This enables us to produce innovative product concepts in response to changes or even to initiate changes ourselves within the market.

The FRoSTA brand offers the opportunity for further sustainable growth based on the Purity Promise, an innovative portfolio and its positive image. It is therefore important to be particularly proactive in countering all events that could have a negative impact on the brand's reputation and thus on business development.

FINANCING

Our financing capability depends on our creditworthiness. By continuously improving our earnings and balance sheet strength, we intend to focus on equity financing. At the same time, we are opening up additional borrowing potential on the market, which is available at very short notice thanks to long-standing partnerships with banks. By taking advantage of credit lines, we create additional flexibility in short-term financing. Using long-term loans for long-term financing allows us to limit the interest rate risk. Overall, we are generally subject to the interest rate risk on the capital market, which is currently estimated to be fairly low.

LEGAL RISKS

There are no legal risks.

CRITICAL APPRAISAL OF RISKS AND OPPORTUNITIES

As part of the risk management process, the opportunities and risks for FRoSTA are also monitored regularly during the year, as above all the risk of changing costs could significantly impact the year-end result and, especially in the case of a negative development, could only be passed on to the retail sector with a time delay via higher selling prices.

In assessing the overall risk situation of the FRoSTA Group, we can state that, based on the information known today, there are no risks identifiable at present or in the foreseeable future that could jeopardise the continued existence of the Group as a going concern.

REPORT ON EXPECTED DEVELOPMENTS

Global markets remain unpredictable. The hostilities in Ukraine show no signs of a peaceful outcome in the near future. The political situation in many countries is unstable, the effects of climate change on harvests are uncertain and the consequences of inflation not yet foreseeable in all areas. This means that any forecast regarding the supply situation as well as the purchase prices for the resources we use is still fraught with much uncertainty.

We currently expect that the level of costs and selling prices of the last few months will continue across all markets over the course of the year. Against this background and the sustainable growth of the FRoSTA brand we are expecting to achieve sales growth of +10% to +15% and consolidated net profit of 3% to 5% of sales for 2023.

We have learned how important good cooperation with our employees, customers and suppliers is in enabling us to swiftly and jointly implement countermeasures in the event of changing framework conditions. We will continue to place our trust in and build on these relationships in 2023. At the same time, we recognise the importance of continually improving both the quality of our products and the sustainability of our actions in order to win consumers' trust in our communication and when making their purchasing decisions.

We believe we are well positioned for the new financial year and look forward to making it a successful one.

Bremerhaven, February 2023

The Executive Board

OVERVIEW OF FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

in kEUR

	31/12/2021	31/12/2022	Change
Sales	**527,201**	**579,077**	**9.8%**
EBIT (Earnings before interest and taxes) in % of sales	38,574 7.3%	34,524 6.0%	-10.5%
EBT (Earnings before taxes) in % of sales	38,159 7.2%	33,912 5.9%	-11.1%
Consolidated net profit in % of sales	28,634 5.4%	24,304 4.2%	-15.1%
Balance sheet total	**325,632**	**382,774**	**17.5%**
Current Ratio / Liquidity III (inventories + trade receivables + cash-in-hand) / (provisions + trade payables)	172.5%	175.2%	
Equity ratio	**59.3%**	**53.6%**	

ANNUAL FINANCIAL STATEMENTS OF THE FRoSTA GROUP

CONSOLIDATED INCOME STATEMENT OF FRoSTA AG

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2022 TO 31 DECEMBER 2022

Consolidated Income Statement of FRoSTA AG (in kEUR)

		2021	2022	Change
1.	**Sales**	**527,201**	**579,077**	**9.8%**
2.	Decrease/increase of stock of work in progress	11,669	-744	> -100 %
3.	Other own work capitalised	0	0	0.0%
4.	Other operating income	8,953	12,546	40.1%
	of which from currency translation: kEUR 8,019 (2021: kEUR 3,741)			
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	-298,092	-328,547	-10.2%
	b) Cost of purchased services	-11,753	-17,562	-49.4%
		-309,845	**-346,109**	**-11.7%**
6.	Personnel expenses			
	a) Wages and salaries	-66,306	-64,098	3.3%
	b) Social security, post-employment and other employee benefit costs	-12,694	-12,514	1.4%
	of which post-employment: kEUR 11 (2021: kEUR 12)			
		-79,000	**-76,612**	**3.0%**
7.	Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	-18,446	-20,322	10.2%
8.	Other operating expenses	-101,958	-113,312	11.1%
	of which from currency translation: kEUR 5,650 (2021: kEUR 2,949)			
9.	**Operating result**	**38,574**	**34,524**	**-10.5%**
10.	Income from long-term equity investments	0	0	0.0%
11.	Other interest and similar income	23	44	86.2%
12.	Interest and similar expenses	-438	-656	-49.7%
	of which from unwinding the discount: kEUR 38 (2021: kEUR 43)			
13.	**Result from ordinary activities**	**38,159**	**33,912**	**-11.1 %**
14.	Taxes on income	-9,122	-9,190	-0.7%
15.	**Earnings after taxes**	**29,037**	**24,722**	**-14.9%**
16.	Other taxes	-403	-418	-3.7%
17.	**Net income for the financial year**	**28,634**	**24,304**	**-15.1%**
18.	Withdrawals from other revenue reserves	0	0	0.0%
19.	**Net retained profits**	**28,634**	**24,304**	**-15.1%**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG – ASSETS

AS AT 31 DECEMBER 2022

Consolidated Balance sheet of FRoSTA AG — Assets (in kEUR)

	2021	2022	Change
A. FIXED ASSETS			
I. Intangible fixed assets			
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	**11,496**	**9,632**	**-16.2%**
II. Tangible fixed assets			
1. Land, land rights and buildings	33,543	33,024	-1.5%
2. Technical equipment and machinery	56,847	57,180	0.6%
3. Other equipment, operating and office equipment	16,983	15,649	-7.9%
4. Prepayments and assets under construction	2,573	6,250	> 100.0%
	109,946	**112,103**	**2.0%**
III. Long-term financial assets			
1. Shares in affiliated companies	180	180	0.0%
2. Other long-term equity investments	0	0	0.0%
3. Long-term securities and shares in cooperatives	6	6	0.3%
	186	**186**	**0.0%**
	121,628	**121,921**	**0.2%**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	52,401	93,008	77.5%
2. Work in progress	24,855	23,049	-7.3%
3. Finished goods and merchandise	42,770	51,676	20.8%
	120,026	**167,733**	**39.7%**
II. Receivables and other assets			
1. Trade receivables	66,676	80,675	21.0%
2. Receivables from affiliated companies	1	0	-100.0%
3. Other assets	8,643	9,309	7.7%
	75,320	**89,984**	**19.5%**
III. Cash-in-hand, bank balances and cheques	**7,208**	**1,103**	**-84.7%**
	202,554	**258,820**	**27.8%**
C. PREPAID EXPENSES	**1,327**	**2,032**	**53.2%**
D. DEFERRED TAXES	**0**	**0**	**0.0%**
E. EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY	**124**	**0**	**-100.0%**
TOTAL ASSETS	**325,633**	**382,773**	**17.5%**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG –
– EQUITY AND LIABILITIES

AS AT 31 DECEMBER 2022

Balance sheet of FRoSTA AG — Equity and Liabilities (in kEUR)

	2021	2022	Change
A. EQUITY			
I. Issued capital			
1. Subscribed capital	17,440	17,440	0.0 %
2. Treasury shares	0	-16	> -100 %
	17,440	**17,424**	**-0.1%**
II. Capital reserves	**11,447**	**11,447**	**0.0 %**
III. Revenue reserves			
1. Legal reserve	235	235	0.0%
2. Other revenue reserves	140,214	157,534	12.4%
3. Currency translation difference recognised in equity	-4,921	-5,689	15.6%
	135,528	**152,080**	**12.2%**
IV. Consolidated net retained profits	**28,634**	**24,304**	**-15.1%**
	193,049	**205,255**	**6.3%**
B. PROVISIONS			
1. Provisions for pensions and similar obligations	975	1,105	13.3%
2. Provisions for taxes	4,065	4,017	-1.2%
3. Other provisions	39,802	43,656	9.7%
	44,842	**48,778**	**8.8%**
C. LIABILITIES			
1. Liabilities to banks	14,049	42,520	> 100.0%
2. Trade payables	64,894	78,052	20.3%
3. Liabilities to affiliated companies	0	0	0.0%
4. Other liabilities	8,569	7,694	-10.2%
of which taxes: kEUR 742 (2021: KEUR 764)			
	87,512	**128,266**	**46.6%**
D. DEFERRED INCOME	**0**	**0**	**0.0%**
E. DEFERRED TAXES	**230**	**474**	**> 100 %**
TOTAL EQUITY AND LIABILITIES	**325,633**	**382,773**	**17.5%**

CONSOLIDATED STATEMENT OF CASH FLOWS OF FRoSTA AG

FOR THE PERIOD FROM 1 JANUARY 2022 TO 31 DECEMBER 202

Consolidated statement of cash flows FRoSTA AG (in kEUR)

	2021	2022	Change
Consolidated net income for the financial year	28,634	24,304	-4,331
Income taxes	9,122	9,190	+68
Depreciation, amortisation and write-downs of fixed assets	18,446	20,322	+1,875
Gains/losses on disposal of fixed assets	-21	-40	-19
Interest income	-23	-44	-20
Interest expense	438	656	+217
Interest paid	-291	-586	-296
Income taxes paid	-11,417	-9,465	+1,952
Income taxes received	78	2,568	+2,490
Increase in long-term provisions	253	8	-245
Decrease/increase in short-term provisions	-696	177	+874
Other non-cash income and expenses	-1,804	-80	+1,724
Increase in other assets not attributable to investing or financing activities	-870	-1,973	-1,103
Increase in other liabilities not attributable to investing or financing activities	2,207	1,337	-870
Changes in other balance sheet items attributable to operating activities	-467	-716	-249
Cash flow before change in working capital	**44,056**	**46,374**	**+2,318**
Increase in inventories and trade receivables	-28,145	-61,618	-33,473
Increase in trade payables	14,029	13,158	-871
Change in working capital	**-14,116**	**-48,460**	**-34,344**
Cash flow from operating activities	**29,940**	**-2,086**	**-32,026**
Proceeds from disposal of fixed assets	5	0	-5
Proceeds from disposal of long-term financial assets	808	0	-808
Proceeds from grants/subsidies received	106	0	-106
Payments to acquire tangible fixed assets	-12,999	-19,559	-6,560
Payments to acquire intangible fixed assets	-1,974	-1,572	+402
Payments to acquire long-term financial assets	-28	0	+28
Cash flow from investing activities	**-14,082**	**-21,131**	**-7,049**
Payments to acquire treasury shares	-3,388	-2,213	+1,174
Proceeds from disposal of treasury shares	3,388	1,775	-1,613
Dividends to shareholders	-10,900	-10,891	+9
Cash proceeds from bank borrowings	0	20,000	+20,000
Payments for redemption of borrowings	-6,412	-4,581	+1,830
Increase/decrease in other financial liabilities	-8,330	13,052	+21,382
Cash flow from financing activities	**-25,642**	**17,142**	**+42,783**
Effect on cash funds of exchange rate movements	-26	-30	-4
Net change in cash funds	-9,784	-6,075	+3,708
Cash funds at the beginning of period	17,018	7,208	-9,811
Cash funds at the end of period	**7,208**	**1,103**	**-6,104**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF FRoSTA AG

Consolidated statement of changes in equity FRoSTA AG (in kEUR)

				Other retained earnings				
	Subscribed capital	Treasury shares	Capital reserves	Currency translation differences	Legal reserve	Other revenue reserves	Consolidated net retained profits	Equity
As at 1 January 2021	**17,440**	**0**	**11,447**	**-4,375**	**235**	**126,030**	**25,084**	**175,861**
Dividends paid							-10,900	-10,900
Acquisition of treasury shares		-94				-3,294		-3,388
Employee share programme		94				3,294		3,388
Appropriation to / withdrawal from revenue reserves					0	14,184	-14,184	0
Currency translation differences				-546				-546
Effect on net income								0
Consolidated net income/net loss for the financial year							28,634	28,634
As at 31 December 2021	**17,440**	**0**	**11,447**	**-4,921**	**235**	**140,214**	**28,634**	**193,049**
As at 1 January 2022	**17,440**	**0**	**11,447**	**-4,921**	**235**	**140,214**	**28,634**	**193,049**
Dividends paid							-10,891	-10,891
Acquisition of treasury shares		-77				-2,137		-2,213
Employee share programme		61				1,714		1,775
Appropriation to / withdrawal from revenue reserves					0	17,743	-17,743	0
Currency translation differences				-769				-769
Effect on net income								0
Consolidated net income/net loss for the financial year							24,304	24,304
As at 31 December 2022	**17,440**	**-16**	**11,447**	**-5,689**	**235**	**157,534**	**24,304**	**205,255**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2021/2022

Consolidated statement of changes in non-current assets 2021 (in kEUR)

	Purchase and production costs					
	as at 01/01/2021	Currency translation differences	Additions	Disposals	Reclassifications	as at 31/12/2021
I. Intangible fixed assets						
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	29,026	-3	1,974	0	700	31,697
	29,026	**-3**	**1,974**	**0**	**700**	**31,697**
II. Tangible fixed assets						
1. Land, land rights and buildings	101,894	-139	1,496	10	355	103,596
2. Technical equipment and machinery	213,995	-280	5,366	521	1,786	220,346
3. Other equipment, operating and office equipment	61,428	-23	3,539	564	1,415	65,795
4. Prepayments and assets under construction	4,347	-10	2,492	0	-4,256	2,573
	381,664	**-452**	**12,893**	**1,095**	**-700**	**392,310**
III. Long-term financial assets						
1. Shares in affiliated companies	365	0	28	0	0	393
2. Other long-term equity investments	194	0	0	18	0	176
3. Long-term securities and shares in cooperatives	28	0	0	0	0	28
	587	**0**	**28**	**18**	**0**	**597**
	411,277	**-455**	**14,895**	**1,113**	**0**	**424,604**

Consolidated statement of changes in non-current assets 2022 (in kEUR)

	Anschaffung- und Herstellungskosten					
	as at 01/01/2022	Currency translation differences	Additions	Disposals	Reclassifications	as at 31/12/2022
I. Intangible fixed assets						
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	31,697	-7	1,572	44	500	33,718
	31,697	**-7**	**1,572**	**44**	**500**	**33,718**
II. Tangible fixed assets						
1. Land, land rights and buildings	103,596	-333	1,693	0	281	105,237
2. Technical equipment and machinery	220,346	-659	10,369	7,023	848	223,881
3. Other equipment, operating and office equipment	65,795	-85	1,964	393	224	67,505
4. Prepayments and assets under construction	2,573	-3	5,533	0	-1,853	6,250
	392,310	**-1,080**	**19,559**	**7,416**	**-500**	**402,873**
III. Long-term financial assets						
1. Shares in affiliated companies	393	0	0	0	0	393
2. Other long-term equity investments	176	0	0	0	0	176
3. Long-term securities and shares in cooperatives	28	0	0	0	0	28
	597	**0**	**0**	**0**	**0**	**597**
	424,604	**-1,087**	**21,131**	**7,460**	**0**	**437,188**

Cumulative depreciation, amortisation and write-downs					Net carrying amount	
as at 01/01/2021	Currency translation differences	Additions	Disposals	as at 31/12/2021	as at 31/12/2021	as at 31/12/2020
17,692	-2	2,511	0	20,201	11,496	11,334
17,692	**-2**	**2,511**	**0**	**20,201**	**11,496**	**11,334**
67,616	-48	2,495	10	70,053	33,543	34,278
154,139	-170	10,044	514	163,499	56,847	59,856
45,971	-11	3,396	544	48,812	16,983	15,457
0	0	0	0	0	2,573	4,347
267,726	**-229**	**15,935**	**1,068**	**282,364**	**109,946**	**113,938**
213	0	0	0	213	180	152
176	0	0	0	176	0	18
22	0	0	0	22	6	6
411	**0**	**0**	**0**	**411**	**186**	**176**
285,829	**-231**	**18,446**	**1,068**	**302,976**	**121,628**	**125,448**

Cumulative depreciation, amortisation and write-downs					Net carrying amount	
as at 01/01/2022	Currency translation differences	Additions	Disposals	as at 31/12/2022	as at 31/12/2022	as at 31/12/2021
20,201	-6	3,935	44	24,086	9,632	11,496
20,201	**-6**	**3,935**	**44**	**24,086**	**9,632**	**11,496**
70,053	-127	2,287	0	72,213	33,024	33,543
163,499	-439	10,630	6,989	166,701	57,180	56,847
48,812	-39	3,470	387	51,856	15,649	16,983
0	0	0	0	0	6,250	2,573
282,364	**-605**	**16,387**	**7,376**	**290,770**	**112,103**	**109,946**
213	0	0	0	213	180	180
176	0	0	0	176	0	0
22	0	0	0	22	6	6
411	**0**	**0**	**0**	**411**	**186**	**186**
302,976	**-611**	**20,322**	**7,420**	**315,267**	**121,921**	**121,628**

Catch of the day:
The new FRoSTA veggie fish!

new & vegan

FRoSTA PURITY PROMISE

FRoSTA is for everyone.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2022 FINANCIAL YEAR

FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN
REGISTERED IN THE COMMERCIAL REGISTER OF THE DISTRICT COURT OF BREMEN
REGISTER NO.: HRB 1100 BHV

FRoSTA Aktiengesellschaft (in the following FRoSTA AG) is a public limited company under German law and is listed in the Open Market segment of the Frankfurt Stock Exchange. FRoSTA AG as parent company and its subsidiaries develop, produce and market frozen food products in Germany and Europe. The products are sold under their FRoSTA, Elbtal and TIKO own brand labels and as private labels. The Group's registered seat is in 27572 Bremerhaven, Germany, Am Lunedeich 116.

(1) ACCOUNTING POLICIES AND PRINCIPLES

The consolidated financial statements of FRoSTA Aktiengesellschaft (in the following FRoSTA AG) as at 31 December 2022 have been prepared in accordance with the regulations for corporations included in the German Commercial Code (HGB), taking into account the additional provisions of the German Stock Corporation Act (AktG).

The consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. Comparative figures from 2021 are stated for all line items of the financial statements.

The single-entity financial statements of FRoSTA AG and its subsidiaries are included in the consolidated financial statements using uniform recognition and measurement principles applicable to the Group as a whole.

The consolidated income statement is presented using the total cost (nature of expense) format.

The consolidated financial statements are prepared in euros. Unless stated otherwise, all amounts are shown in thousands of euros (kEUR).

CONSOLIDATION (2)

CONSOLIDATION DATE

The cut-off date (31 December) for the consolidated financial statements corresponds to the balance sheet date of the annual financial statements of the parent and all companies to be consolidated.

CONSOLIDATION PRINCIPLES

The financial statements of all entities included in the consolidated financial statements are drawn up according to uniform accounting principles. Insofar as the financial statements of companies included in the consolidation deviate from the uniform accounting policies and measurement methods, the adjustments are stated in single-entity financial statements adjusted to comply with uniform group accounting policies (Handelsbilanz II).

On first-time inclusion of subsidiaries in the consolidated financial statements, the acquisition cost of the investment is eliminated against the Group's share in the carrying amount of the equity of the respective entity.

The difference between the acquisition cost of the investment and the proportionate equity is initially allocated to the assets and liabilities of the subsidiary corresponding to the Group's share in the equity insofar as their fair values differ from the carrying amounts. Any difference remaining after the eliminations shall be included as goodwill on the assets side of the consolidated balance sheet.

Expenses and income as well as accounts receivable and payable between consolidated companies are eliminated. Intercompany profits and losses from transactions between consolidated companies are eliminated through profit or loss.

The consolidation methods remained unchanged compared with the previous year.

GROUP REPORTING ENTITY

All subsidiaries under the legal and/or factual control of FRoSTA AG are included in the consolidated financial statements. The Group reporting entity remained unchanged compared with the previous year.

Fully consolidated subsidiaries

Name of entity	Registered seat of entity	Percentage of capital held in 2021	Percentage of capital held in 2022
Copack Tiefkühlkost-Produktions GmbH	Bremerhaven	100.00	100.00
Copack France S.a.r.l.	Boulogne-Billancourt/France	100.00	100.00
FRoSTA Tiefkühlkost GmbH	Bremerhaven	100.00	100.00
FRoSTA Foodservice GmbH	Bremerhaven	100.00	100.00
FRoSTA CR s.r.o.	Prague/Czech Republic	100.00	100.00
FRoSTA Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00
Tiko Vertriebsgesellschaft mbH	Bremerhaven	100.00	100.00
FRoSTA S.r.l.	Rome/Italy	100.00	100.00
Copack S.r.l.	Rome/Italy	100.00	100.00

The consolidated financial statements for the financial year do not include the following entities whose effect on the Group's financial position, financial performance and cash flows is not material:

Companies not included in the consolidated financial statements

Name of entity	Registered seat of entity	Percentage of capital held in 2021 (in %)	Percentage of capital held in 2022 (in %)	Equity (in kEUR)	Net profit/ loss for 2021 (in kEUR)
FRoSTA Romania S.R.L.	Bucharest/Romania	100.00	100.00	0	-19
NORDSTERN America Inc.	Seattle/USA	100.00	100.00	[1]	[1]
OOO FRoSTA	Moscow/Russia	100.00	100.00	180	-22
FRoSTA Hungary Kft.	Esztergom/Hungary	100.00	100.00	91	9
Copack Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00	1	0

[1] The entity is no longer in business, there are no data available

(3) NOTES TO THE ACCOUNTING POLICIES AND MEASUREMENT METHODS

INCOME STATEMENT

Only product sales resulting from ordinary operating activities are disclosed as sales revenue. FRoSTA recognises sales revenue for product sales when the goods are handed over to the freight forwarder or, alternatively, upon proof that the delivery has been carried out and the risk has been transferred to the customer.

FRoSTA exclusively recognises sales revenue from fixed-price contracts with customers at a point in time when control of the goods or services passes to the customer. Since they are deducted from the agreed service charge by the customer and there is no separate performance obligation, advertising expense allowances are recognised under sales deductions.

Operating expenses are recognised in profit or loss at the point in time when the service in question is rendered or the expenses are incurred. Expenses and income for the financial year are included in the financial statements regardless of the dates of the corresponding payments. All foreseeable risks and losses that have arisen up to the balance sheet date are taken into account. Gains are only taken into account to the extent that they have been realised on the balance sheet date.

Expense-related grants and subsidies are recognised as income in the financial year in which the related costs were incurred that they are intended to compensate.

BALANCE SHEET

INTANGIBLE FIXED ASSETS

Intangible fixed assets are capitalised at cost at the time of transfer of economic or legal ownership, and systematically amortised over their expected useful life and, if necessary, written down.

From the 2021 financial year, the trademark rights for La Valle degli Orti are amortised over their expected residual useful life of 10 years.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognised at cost at the time of transfer of economic or legal ownership, reduced, where depreciable, by use-related straight-line depreciation and, if necessary, write-downs.

Purchase or production cost includes the purchase price plus any costs directly attributable to bringing the asset to the location and the condition necessary for it to be capable of operating.

The cost of self-generated tangible fixed assets includes all direct costs and an appropriate share of material overheads, production overheads and depreciation in the value of assets used for production. The Company does not exercise the option pursuant to Section 255 (3) sentence 2 HGB to recognise interest on borrowings.

Depreciation is carried out uniformly throughout the Group over the following useful lives:.

Depreciation period of property, plant and equipment

	Useful life in years
Buildings	25 – 40
Other constructions	10 – 19
Technical equipment and machinery	7 – 15
IT equipment	3 – 7
Other operating and office equipment	5 – 13

Write-downs are recognised where impairments are expected to be permanent. If the reasons for the write-downs no longer apply, the write-down is reversed, whereby the maximum amount of any reversal may not exceed the amount that would have been recognised as amortised cost.

Low-value assets with a purchase or production cost of up to EUR 800 are written down in full in the year of acquisition and their disposal is assumed.

A fixed value is assigned to recognised transport pallets.

Investment grants and investment subsidies are recognised if there is reasonable assurance that these grants will actually be received and the requirements attached to them will be fulfilled. They result in a reduction of the purchase or production cost of the subsidised assets.

Costs incurred for repairs of items of tangible fixed assets are always expensed. They are only capitalised if the costs result in an enhancement or significant improvement of the asset.

Gains or losses from the disposal of fixed assets are shown in other operating income or expenses.

LONG-TERM FINANCIAL ASSETS

Long-term financial assets are recognised at cost at the time of transfer of economic or legal ownership and, where the impairment is expected to be permanent, carried at cost less write-downs to fair value on the balance sheet date.

WRITE-DOWNS OF INTANGIBLE FIXED ASSETS, TANGIBLE FIXED ASSETS AND LONG-TERM FINANCIAL ASSETS

FRoSTA AG examines the carrying amounts of fixed assets to assess the need to recognise write-downs as soon as events occur or circumstances change implying that permanent impairment has occurred.

Intangible fixed assets with an indefinite useful life are tested for impairment at least annually or where triggering events indicate possible impairment.

A write-down is recognised when the fair value is lower than the asset's respective carrying amount. The fair value is determined on the basis of the expected future cash flow from the use of the asset based on the discounted cash flow method. Write-downs are charged directly to profit or loss.

If the reasons for the write-down no longer apply, the write-down is reversed, whereby the maximum amount of any reversal may not exceed the amount that would have been recognised as amortised cost.

In the 2022 financial year, our ERP software was moved to a cloud-based system, so it is now rented as "software as a service". Consequently, the purchased ERP software is no longer used and its residual carrying amount was written off. The amount of this extraordinary write-off in the financial year was kEUR 846.

INVENTORIES

Inventories are measured at cost. Write-downs to fair value are charged if the market price is lower than the original purchase or production cost.

The cost of raw materials, supplies and goods is based on the purchase price plus transaction costs less purchase price reductions.

In addition to costs directly attributable to the production process, the production cost of finished goods and work in progress also includes an appropriate share of indirect production and material costs.

In addition, the depletion in value of fixed assets, insofar as this is caused by production, is taken into account in the production cost.

General administration costs as well as social expenses, voluntary social benefits and Company pension schemes are not included in production cost.

Allowances are recognised for expected losses not yet identified and for inventory risks arising from excessive storage times or reduced usability. Allowances for finished goods as at the balance sheet date amounted to kEUR 898 (2021: kEUR 744) as well as kEUR 1,541 (2021: kEUR 1,743) for raw materials, consumables and supplies, and for unfinished goods.

RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are shown at nominal value. Identifiable individual risks relating to doubtful receivables are taken into account through corresponding specific valuation allowances. For the first time, the calculation of a global valuation allowance was waived in the reporting year. The waiver of the global valuation allowance did not affect the comparability of the figures for the reporting year with those of prior periods.

CASH AND CASH EQUIVALENTS

The cash holdings and credit balances at banks are recognised at their nominal value.

PREPAID EXPENSES

Prepaid expenses relate to expenses incurred prior to the reporting date of the financial statements which represent an expenditure allocable to future periods.

DEFERRED TAXES

The calculation of deferred taxes is based on the temporary differences between the carrying amounts of balance sheet items from an accounting and tax perspective in accordance with Section 274 HGB. The option to recognise only the surplus of deferred tax liabilities is generally exercised. The calculation is made on the basis of the future tax rates applicable at the end of the reporting period.

EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY

Partial retirement benefit obligations are hedged by post-employment benefit claims from life insurance policies. These assets are exempt from attachment by all other creditors and serve exclusively to settle liabilities from partial retirement benefit obligations. Accordingly, they are offset against the settlement amount of the hedged obligation. If the fair value of the assets (plan assets) is higher than the amount of the obligations from partial retirement, the assets are recognised with the carrying amount of the corresponding post-employment benefit liability claims from life insurance policies so that there is no excess of plan assets over post-employment benefit liability as of the reporting date.

This measurement method was applied for the first time in the reporting year. In the previous year, the excess of plan assets over post-employment benefit liability amounted to kEUR 124. The fair value of plan assets in the amount of kEUR 382 (purchase cost: kEUR 380) was offset against the settlement amount of the partial retirement benefit obligation of kEUR 285. As the plan assets were assigned on the basis of individual partial retirement benefit obligations, applying the principle of itemised measurement resulted in a provision for partial retirement benefit obligations of kEUR 27 as well as an excess of plan assets over post-employment benefit liability of kEUR 124.

Interest income from plan assets amounting to kEUR 2 was offset against interest expense for the unwinding of the discount on the provision for partial retirement benefit obligations amounting to kEUR 3.

PENSION OBLIGATIONS

Pension obligations are measured in accordance with the principles of the projected unit credit method. The amount of the provision is defined as the actuarial present value of the pension obligation earned by employees up to that date in accordance with the pension formula and vesting rules based on their length of past service. The biometric actuarial assumptions are based on the “Richttafeln 2018 G” mortality tables issued by Dr Klaus Heubeck in the version of October 2018 (Heubeck Richttafeln 2018 G). The discount rate used is the average market interest rate of the past 10 years of 1.78 % p.a. calculated by the Deutsche Bundesbank as at the balance sheet date, which results from a basic assumption of a residual term of 15 years. A salary trend of 2.00 % and pension trend of 1.0 % p.a. were assumed. Fluctuation is taken into account by applying age- and gender-dependent sector-specific probabilities of fluctuation.

The carrying amount pursuant to Section 253 (2) HGB applying the 10-year average interest rate of 1.78 % (2021: 1.87 %) was kEUR 1,105 in the financial year 2022 (2021: kEUR 975).

Applying the 7-year average interest rate pursuant to Section 253 (6) HGB of 1.44% (2021: 1.35%) would have produced a carrying amount of kEUR 1,107 (2021: kEUR 978).

Discounting with the average market interest rate of the past 10 years compared to discounting with the average market interest rate of the past 7 years resulted in a distribution-barred difference amounting to kEUR 2 (2021: kEUR 3) in accordance with section 253 (6) HGB.

OTHER PROVISIONS

Other provisions take into account all clear legal and de facto obligations a corporation has towards third parties, where settlement is likely and the level of settlement can be reliably estimated. Provisions are recognised as a liability at the amount dictated by prudent business judgement to meet the future obligations. For provisions with a residual term of more than one year, future price and cost increases are taken into account in the amount of the general inflation rate and discounted to the balance sheet date. The average market interest rates of the past 7 financial years corresponding to the residual terms of the provisions are used as the discount rate, as determined and announced monthly by the Deutsche Bundesbank in accordance with the Regulation on the Discounting of Provisions.

Jubilee benefits and partial retirement benefit obligations are part of the long-term employee benefits. Jubilee benefits are measured in accordance with the principles of the projected unit credit method (PUC method). The amount of the provision in accordance with the PUC method is defined as the actuarial present value of the jubilee benefits earned pro rata temporis up to the reporting date. The amount of the provision shall be determined taking into account trend assumptions regarding the future development of entitlements as well as any probabilities of fluctuation. The biometric actuarial assumptions are based on the “Richttafeln 2018 G” mortality tables issued by Dr Klaus Heubeck. The settlement amount of the jubilee provisions as at 31 December 2022, taking into account an interest rate of 1.44% p.a. and a salary trend of 2.00% p.a., was kEUR 3,265.

Provisions for partial retirement benefits include expenses for wage and salary payments to employees in the release phase as well as top-up payments. Potential beneficiaries are included in the provisions in the current financial year. The measurement is carried out in accordance with statement IDW-RS HFA 3 of 19 June 2013 issued by the Institute of Public Auditors in Germany (IDW).

Insofar as biometric influencing factors are to be taken into account, the “Richttafeln 2018 G” mortality tables issued by Dr Klaus Heubeck are used. The following additional assumptions are used:

Assumed interest rate p.a.:	1.44%
Salary trend p.a.:	2.00%

Partial retirement benefit obligations are hedged by post-employment benefit claims from life insurance policies. Since the fair value of the assets (plan assets) exceeded the amount of the obligations from partial retirement, the assets were recognised with the carrying amount of the corresponding post-employment benefit liability claims from life insurance policies and thus no provisions for partial retirement benefit programme were recognised. This measurement method was applied for the first time in the reporting year.

In the previous year, the settlement amount of partial retirement benefit provisions was kEUR 285. This was offset against the assets in the amount of kEUR 382, which served exclusively to hedge liabilities from partial retirement benefit obligations (plan assets). The cost of the plan assets amounted to kEUR 380. As the plan assets in the amount of kEUR 382 were assigned on the basis of individual partial retirement benefit obligations, applying the principle of itemised measurement resulted in an excess of plan assets over post-employment benefit liability of kEUR 124 as well as a provision for partial retirement benefit obligations of kEUR 27.

No return was earned on plan assets in 2022, thus rendering offsetting against expenses unnecessary. In the previous year, a return on plan assets amounting to kEUR 2 was offset against interest expense for partial retirement benefit obligations amounting to kEUR 3.

Provisions for restructuring are only taken into account if at the end of the reporting period the intended measures have become sufficiently concrete and have been communicated.

LIABILITIES

Liabilities are recognised with their respective settlement amounts at the balance sheet date.

DERIVATIVE FINANCIAL INSTRUMENTS

Currency forwards are the only derivative financial instruments currently used. These are only concluded with banks which have an excellent credit rating. Such transactions are used strictly in line with FRoSTA's own internal procedures and are subject to stringent internal controls. These transactions are concluded with the sole aim to safeguard the operating business and the financing transactions associated with it. Hedging mainly concerns US dollar requirements. These occur because FRoSTA purchases some of the required raw materials in this currency without reporting any US dollar income.

Interest hedging instruments are used as required to provide variable financing on a medium- and long-term basis.

Derivative financial instruments are accounted for at cost when purchased. They are subsequently recognised at their fair value. The banks establish the fair values based on market quotations.

All derivative financial instruments are treated as stand-alone derivatives, i.e. all realised and unrealised gains and losses resulting from the development of the fair values are recognised directly in profit or loss.

Scope and fair values of the derivatives (in kEUR)

		31/12/2021		31/12/2022	
Financial instrument	**Type**	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Currency forward	Purchase kUSD	19,926	-66	41,742	-1,270

The fair value is the amount that would have to be paid or would be received on the reporting date assuming termination of the hedging transactions. As the hedging transactions at the time of acquisition only concerned financial instruments on an arm's length basis, the fair value was established on the basis of market quotations. Hedge accounting was not applied.

The positive fair value of financial instruments is presented in other assets and the negative fair value is presented in other provisions. As the underlying contracts have been agreed with banks with sound credit ratings, no credit risks exist for these financial instruments.

CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros, the reporting currency of the Group. Each entity within the Group determines its own functional currency. Items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially translated to the functional currency at the applicable spot rate on the date the transaction occurred.

Trade receivables and payables as well as receivables and liabilities from/to affiliated companies in foreign currencies with a residual term of up to one year are generally measured at the middle spot rate at the balance sheet date. Both unrealised gains and losses are recognised. Derivative financial instruments, in contrast, are recognised according to the imparity principle, i.e. provisions are recognised for unrealised losses whereas unrealised gains (profits) may not be recognised.

The assets and liabilities of foreign subsidiaries are subsequently translated to euros at the applicable exchange rate at the end of the reporting period. Income and expenses are translated at average monthly exchange rates, because due to minor exchange rate fluctuations in the given period, this is an accurate reflection of the exchange rates on the day the transactions occurred. The exchange rate differences that occur from translation are presented as currency translation difference recognised in equity.

Currency translation differences from consolidation of intercompany balances and consolidation of intercompany profits (losses) are presented directly in Group equity under currency translation difference recognised in equity.

The following exchange rates were taken into account when preparing the consolidated financial statements and the consolidated income statement (equivalent value for EUR 1):

Development of the exchange rates of the most important currencies

	Average rate		Closing rate on 31/12	
	2021	**2022**	**2021**	**2022**
Polish zloty	4.5837	4.6872	4.5944	4.6858
Czech koruna	25.7417	24.5646	24.81	24.144

(4) NOTES TO THE CONSOLIDATED BALANCE SHEET

FIXED ASSETS

The development of the individual items of fixed assets as well as the development of depreciation, amortisation and write-downs in the financial year is shown in the consolidated statement of changes in fixed assets attached as an appendix to these Notes.

The share of foreign subsidiaries in the net carrying amount of intangible fixed assets as at 31 December 2022 amounted to kEUR 589 (2021: kEUR 613).

The share of tangible fixed assets located abroad, primarily in Poland, in the net carrying amount as at 31 December 2022 amounted to kEUR 25,369 (2021: kEUR 24,375).

Investment grants and subsidies received in the financial year reduced the net carrying amounts by kEUR 1,231 (2021: kEUR 1,291).

The reversal of investment grants and subsidies of kEUR 93 (2021: kEUR 120) directly reduced gross depreciation/amortisation.

The value of recognised transport pallets was fixed at kEUR 871 (2021: kEUR 871).

In the reporting year no borrowing costs were capitalised.

INVENTORIES

Inventories shown in the consolidated balance sheet can be broken down as follows:

Inventories (in kEUR)

	31/12/2021	31/12/2022
Raw materials, consumables and supplies	52,401	93,008
Work in progress	24,855	23,049
Finished goods and merchandise	42,770	51,676
Inventories	**120,026**	**167,733**

RECEIVABLES AND OTHER ASSETS

Receivables and other assets (in kEUR)

	31/12/2022	residual term more than 1 year
Trade payables (previous year)	80,675 (66,676)	0 (0)
Other receivables and other assets (previous year)	9,309 (8,644)	0 (193)
Receivables and other assets (previous year)	**89,984 (75,320)**	**0 (193)**

DEFERRED TAX ASSETS / DEFERRED TAX LIABILITIES

Pursuant to Section 274 (1) HGB, deferred taxes shall be recognised on temporary differences between the accounting and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income. Deferred taxes were calculated using a combined tax rate of corporation tax plus solidarity surcharge and trade tax applicable for the financial year of 30.66% (2021: 30.66%). The items under Section 306 HGB were combined with the items under Section 274 HGB.

Deferred tax assets and liabilities (in kEUR)

	31/12/2021		31/12/2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible fixed assets	5	1,541	5	1,490
Tangible fixed assets	347	337	411	1,502
Inventories	22	0	16	0
Trade receivables	26	0	5	0
Provisions for pensions	207	0	6	0
Other provisions	484	0	1,935	0
Trade payables	0	11	0	62
Other liabilities	568	0	202	0
Total	**1,659**	**1,889**	**2,580**	**3,054**
Netting	-1,659	-1,659	-2,580	-2,580
Balance	**0**	**230**	**0**	**474**

A resulting theoretical tax benefit was not recognised in accordance with the option as set forth in Section 274 HGB.

EQUITY

Changes in Group equity are shown in the statement of changes in equity.

An equity ratio is aimed at that safeguards the Company's economic independence. This should be achieved through self-financing.

At 31 December 2022, the subscribed capital of the Company amounted to EUR 17,440,250.88 and was divided into 6,812,598 no-par value bearer shares with an accounting par value each of EUR 2.56.

In accordance with a resolution passed at the Annual General Meeting on 27 April 2022, it was decided to allocate the sum of EUR 31,123,695.25 from the recognised net retained profits of EUR 42,014,445.65 to other revenue reserves. Revenue reserves include profits generated in prior periods to the extent that they were not distributed. The retained earnings include the results achieved in the past, insofar as they have not been distributed.

A total of 6,133 FRoSTA AG no-par value bearer shares held as treasury shares with a nominal value of EUR 15,700.48 or 0.09% of the share capital were offset against equity. The purchase cost amount of EUR 422,574.32 exceeding the nominal value was reported as a reduction of revenue reserves.

These 6,133 no-par value bearer treasury shares resulted from the following purchase and sales transactions: In the context of a share buyback in the period between 7 February 2022 and 28 July 2022, FRoSTA AG reacquired 30,000 treasury shares, corresponding to a nominal amount of EUR 76,800.00, or 0.44% of the share capital. This cost the Company EUR 2,213,313.60, which equates to a weighted average price of EUR 73.78 per share.

FRoSTA AG subsequently sold 19,746 no-par value bearer treasury shares under an employee share programme. This corresponded to a nominal amount of EUR 50,549.76, or 0.29%, of the share capital as at 31 December 2022. For these shares, FRoSTA AG received a total of EUR 419,765.40 to be used as it deems fit. As part of a bonus scheme, the Company issued 4,121 shares to employees at first-tier management level below the Executive Board.

The share buybacks were determined on the basis of the shares sold in the previous year within the scope of the share-based remuneration scheme and employee share programme. Since fewer shares were sold under the employee share programme in the financial year 2022, the number of treasury shares increased to 6,133. Under Section 71b of the German Stock Corporation Act (AktG), the no-par value bearer shares held as treasury shares are not entitled to any rights.

Apart from this there is authorised capital, as yet unused, for a fixed period until 20 July 2023, amounting to EUR 1,000,000.00 for the issuing of shares to employees of the Company and its affiliated companies, as well as authorised capital of EUR 5,000,000.00 for a fixed period until 20 July 2023, for a capital increase from cash contributions.

OTHER PROVISIONS

Other provisions can be broken down as follows:

Other provisions can be broken down as follows	31/12/2022
Provision for jubilee benefits	3,265
Provision for restructuring	1,063
Provision for bonuses	3,718
Provision for unused vacation time	1,780
Provision for flexitime, annual working hours and shift leave	2,212
Provision for profit-sharing	527
Provision for outstanding invoices	5,602
Provision for payment differences	723
Provision for obligations from sales-related agreements on terms and conditions	20,451
Provision for debt collection commissions	1,772
Provision for tax consultancy	204
Provision for period-end closing costs	155
Provision for remuneration of the Supervisory Board	144
Provision for expected losses from purchase and sale contracts	130
Other provisions	1,910
Total	**43,656**

LIABILITIES

Liabilities (in kEUR)

	Total amount	of which due within		
		up to 1 year	more than 1 year	of which more than 5 years
Liabilities to banks	42,520	21,892	20,628	6,433
(previous year)	(14,049)	(7,530)	(6,519)	(0)
Trade payables	78,052	78,052	0	0
(previous year)	(64,894)	(64,894)	(0)	(0)
Other liabilities	7,694	7,694	0	0
(previous year)	(8,569)	(8,569)	(0)	(0)

The liabilities to banks were guaranteed by mortgages amounting to kEUR 2,292 (2021: kEUR 3.594).

The customary retentions of title apply to trade payables.

(5) NOTES TO THE CONSOLIDATED INCOME STATEMENT

SALES

Sales revenue concerns the sale of goods and can be broken down as follows:

Sales by region (in kEUR)

	2021	2022	Change in %
Germany	310,588	349,060	2.4
Outside Germany	216,613	230,017	6.2
Sales	**527,201**	**579,077**	**9.8**

Sales by product groups (in kEUR)

	2021	2022	Change in %
Fish	243,870	272,501	11.7
Fruit and vegetables	136,833	133,717	-2.3
Ready meals and other products	146,498	172,859	18.0
Sales	**527,201**	**579,077**	**9.8**

INCOME AND EXPENSES OF EXCEPTIONAL SCALE OR INCIDENCE

In the financial year 2022, no expenses of an exceptional scale or exceptional incidence were incurred.

OTHER OPERATING INCOME

Other operating income included prior-period income amounting to kEUR 1,581 (2021: kEUR 1,750) as well as income from currency translation amounting to kEUR 8,019 (2021: kEUR 3,741). Prior-period income mainly related to the reversal of personnel provisions and other provisions.

PERSONNEL EXPENSES

Personnel expenses (in kEUR)

	2021	2022
Wages and salaries	64,394	63,044
Social security contributions	12,682	12,504
Post-employment benefit costs	12	10
Costs of share-based payments	1,912	1,054
Personnel expenses	**79,000**	**76,612**

The interest component included in personnel expenses is shown in the financial result

OTHER OPERATING EXPENSES

Other operating expenses included prior-period expenses amounting to kEUR 1,436 (2021: kEUR 808) as well as expenses from currency translation amounting to kEUR 5,650 (2021: kEUR 2,949). Prior-period expenses mainly related to employee bonus claims from the previous year and valuation allowances for insurance claims in connection with prior-period loss events.

INTEREST AND SIMILAR EXPENSES

The interest cost of provisions for pensions and jubilee benefits amounted to kEUR 36 (2021: kEUR 43) in the 2022 financial year. No return was earned on plan assets in 2022, thus rendering offsetting against expenses unnecessary. In the previous year, a return on plan assets amounting to kEUR 2 was offset against interest expense for partial retirement benefit obligations amounting to kEUR 3.

TAXES ON INCOME AND DEFERRED TAXES

Taxes on income are made up of trade tax, corporation tax, solidarity surcharge and the applicable foreign taxes.

Tax expense by origin (in kEUR)

	2021	2022
Current taxes Germany	5,099	6,941
Current foreign taxes	3,930	3,644
Current taxes for the financial year	**9,029**	**10,585**
Taxes for prior periods	-137	-1,666
Taxes on income	**8,892**	**8,919**
Deferred taxes Germany	1,543	603
Deferred foreign taxes	-1,313	-332
Deferred taxes	**230**	**271**
Tax expense	**9,122**	**9,190**

CASH FUNDS

Cash funds is made up of cash and cash equivalents of the Group.

OTHER DISCLOSURES (6)

DISCLOSURES ON THE GOVERNING BODIES

During the financial year, the Company's business was conducted by the following persons:

- Felix Ahlers, businessman, Hamburg, Chairman
- Hinnerk Ehlers, businessman, Hamburg, Vice President Marketing, Sales and Human Resources
- Maik Busse, businessman, Bremerhaven, Vice President Finances, Financial Controlling, IT, SCM and Operations

During the financial year, the following persons were members of the Supervisory Board:

- Volker Kuhn, businessman, Geneva, Chairman of the Supervisory Board, President Hygiene, Reckitt Benckiser
- Dirk Ahlers, businessman, Hamburg, Vice Chairman of the Supervisory Board, former Chairman of the Executive Board
- Torsten Richter, Lommatzsch, employee of FRoSTA AG

TOTAL REMUNERATION FOR MEMBERS OF THE GOVERNING BODIES (SECTION 314 (1) NO. 6 HGB)

The members of the Executive Board receive remuneration made up of the following components:

- a fixed basic annual salary
- a variable remuneration component for the purchase of FRoSTA shares
- a variable remuneration component dependent on consolidated pre-tax profit
- a long-term bonus component oriented towards the 3-year average return on investment (ROI) of FRoSTA AG.

The total remuneration of the Executive Board of FRoSTA AG in the 2022 financial year amounted to kEUR 2,555 (2021: kEUR 2,802). Of this, the fixed remuneration came to kEUR 807 (2021: kEUR 807) and variable remuneration to kEUR 1,748 (2021: kEUR 1,995).

The members of the Supervisory Board receive remuneration made up of the following components:

- a fixed basic annual salary paid once a year
- a performance bonus related to earnings per share, which is also paid once a year.

The remuneration of the Supervisory Board amounted to kEUR 144 (2021: kEUR 150), of which kEUR 54 (2021: kEUR 60) was variable remuneration and kEUR 90 (2021: kEUR 90) was fixed remuneration.

NUMBER OF EMPLOYEES

Number of employees (Annual average)

	2021	2022
Wage earners	1,145	1,111
Salaried staff of whom trainees	587 5	581 5
Number of employees pursuant to Section 314 (1) No. 4 HGB	**1,732**	**1,692**
Apprentices	25	20
Number of employees	**1,757**	**1,712**

OTHER FINANCIAL OBLIGATIONS

Other financial obligations not recognised in the balance sheet exist as follows:

Other financial obligations (in kEUR)

	31/12/2021	31/12/2022
Obligations arising from current lease agreements	1,356	1,565
Obligations under current rental and maintenance contracts	4,259	4,693
Purchase commitments from expansion investments	6,744	11,576
Consignment agreements	2,829	2,276
Other financial obligations	**15,188**	**20,110**

Obligations arising from current lease agreements resulted mostly from the leasing of cars and industrial trucks and exclusively take the form of operating lease agreements. The obligations under current rental contracts concerned rent for office space, software and communications systems.

On the balance sheet date, other financial obligations had the following residual terms:

Due dates for other financial obligations (in kEUR)

	< 1 year	1 – 5 years	> 5 years
Future payments from current lease agreements	794	766	5
Future payments from current rental and maintenance contracts	3,400	1,290	2
Total	**4,194**	**2,056**	**7**

Total expenditure from rental and lease agreements amounted to kEUR 5,110 (2021: kEUR 4,632).

CONTINGENT LIABILITIES

The FRoSTA Group believes there are no contingent liabilities.

TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties at non-arm's length conditions in the 2022 financial year.

AUDITORS' FEES

Auditors' fees (in kEUR)

Auditing services	101
Other assurance services	14
Total	**115**

REPORT ON POST-BALANCE SHEET DATE EVENTS

No significant events having a material impact on the financial position, financial performance and cash flows as at 31 December 2022 occurred after the balance sheet date.

APPROPRIATION OF NET PROFIT OF THE PARENT

Based on 6,812,598 no-par value bearer shares less 6,133 no-par value bearer shares held as treasury shares, which under Section 71b of the German Stock Corporation Act (AktG) are not entitled to any rights, the number of no-par bearer shares entitled to a dividend came to 6,806,465.

At the Annual General Meeting, we will be proposing a dividend payment of EUR 1.60 per share corresponding to a total dividend payment of EUR 10,890,344.00. This payment will be taken from the net income for the year as at 31 December 2022 of EUR 12,412,239.95. The remaining EUR 1,521,895.95 will be allocated to other capital reserves.

Bremerhaven, 15 February 2023

The Executive Board

Felix Ahlers Maik Busse Hinnerk Ehlers

INDEPENDENT AUDITORS' REPORT

To FRoSTA Aktiengesellschaft, Bremerhaven

AUDIT OPINIONS

We have audited the consolidated financial statements of FRoSTA Aktiengesellschaft, Bremerhaven, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2022, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2021 to 31 December 2022, and the notes to the consolidated financial statements, including the recognition and measurement policies presented therein.

In addition, we have audited the Group management report of FRoSTA Aktiengesellschaft for the financial year from 1 January 2022 to 31 December 2022.

In accordance with the German legal requirements, we have not audited the content of the elements of the Group management report included in the OTHER INFORMATION section of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, the Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Our opinion on the Group management report does not cover the elements referred to in the OTHER INFORMATION section of the Group management report referred to above.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

BASIS FOR OUR OPINIONS

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those requirements and principles are further described in the AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT section of our auditors' report.

We are independent of the Group in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group management report.

OTHER INFORMATION

The executive directors are responsible for the other information.

The other information comprises the statement on corporate governance pursuant to Section 315d HGB and the non-financial statement in accordance with Section 315b HGB, as well as the cross-reference to the sustainability report published on the website of the Group parent (www.frosta-ag.com).

Our opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our Group audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the Group management report 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.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i. e. accounting manipulation or financial loss) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the Group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud (i. e. accounting manipulation or financial loss) or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this Group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, 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 opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' 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 the auditors' report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to be able 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 present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the businesses or business activities within the Group to express opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the Group management report with the annual financial statements, its conformity with German law and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Bremen, 15 February 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Zypress	signed Renken
German Public Auditor	German Public Auditor

MANAGEMENT REPORT FRoSTA AG 2022

OVERVIEW

MANAGEMENT REPORT OF FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

FUNDAMENTAL INFORMATION ABOUT FROSTA AG

BUSINESS MODEL

FRoSTA AG's 1,051 employees produce deepfrozen products at our three plants in Germany. FRoSTA is a successful brand for frozen fish, vegetables and ready meals in Germany and Austria. With our Purity Promise, we have gone without adding any colourings, flavourings, flavour enhancers, stabilisers or emulsifiers to any of our branded products since 2003. FRoSTA products are available from supermarkets and, in addition to traditional dishes such as Bami Goreng, Chicken Fricassee and Paella, include a range of vegetarian and vegan choices as well as vegetables, fish, fruit and herbs. In April 2013, FRoSTA was the first frozen food brand to start publishing the countries of origin of all ingredients on the Internet, and since autumn 2015 it has also done so on product packaging. In autumn 2020, the Company began marketing a plant-based alternative to fish.

FRoSTA AG also develops and produces high-quality private labels for the food retail and wholesale sectors, for the most part using our retail partners' own brands. However, on request we also offer the secondary brands Tiko (for fish and ready meals) and Elbtal (for vegetables). We also produce a wide range of frozen products as a production partner to industry as well as to our out-of-home customers (supplying restaurant chains and wholesalers).

FRoSTA AG generates 62% of its business in the German market and 38% abroad..

BRANCH OFFICES

Production is organised across the following branch offices:

- FRoSTA AG Werk Bremerhaven
- FRoSTA AG Werk Bobenheim-Roxheim
- FRoSTA AG Werk Lommatzsch

MANAGEMENT SYSTEM

FRoSTA AG manages its business operations based on the financial key performance indicators sales and annual net profit.

BUSINESS ENVIRONMENT

GENERAL MARKET AND INDUSTRY CONDITIONS

MACROECONOMIC FACTORS

The 2022 financial year was massively affected by the extraordinary global economic environment. Pandemic, Ukraine war, energy crisis and, lastly, unusually high inflation rates hit the European economy hard. While the Eurozone performed positively during the first few months of the year due to the lifting of the coronavirus lockdown, a recession was forecast for most countries in Europe for the last few months of the year.

CHALLENGING ENVIRONMENT

The whole year was marked by a very high level of uncertainty. Supplies of goods and raw materials were already disrupted as a result of the pandemic – a situation that has only increased with the war in Ukraine. At the same time, the dependence on Russian gas made measures to secure the energy supply urgently necessary. On top of this, prices for almost all raw materials, energy sources and services rose dramatically. Daily business was more than ever dominated by the need to identify savings potential, build up alternative suppliers, increase stocks and maintain maximum transparency at all times regarding the respective cost situation as well as current product calculations. On this basis, we were in many cases able to reach agreement with our customers across Europe on necessary selling price increases.

THE FROZEN FOOD MARKET IN 2022

Retail sales in the German frozen food market for the product groups fish, vegetables and ready meals declined both in terms of volume (-8%) and value (-3%). The FRoSTA brand outperformed the overall market during this period by +3.5% in volume and +8.1% in value (Source: Nielsen Germany 2022 up to 4.12.2022; volume = kilogrammes).

Overall, price increases and lower volume sales can be observed in all categories, while the FRoSTA brand is growing in volume and value, clearly driving category growth.

BUSINESS DEVELOPMENT, FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

DEVELOPMENT OF SALES

Overall, sales revenue of FRoSTA AG in 2022 increased in line with the forecast by 22.3% (EUR +103m) compared to the previous year. Much of this growth (EUR +72m) resulted from intercompany business. Otherwise, brand business was again up year on year both in terms of sales volume (+6.2%) and sales revenue (+20.7%). By contrast, the sales volume (-14.1%) and sales revenue (-6.8%) in private label and industrial business declined, partly due to the return to normal consumer behaviour after the coronavirus lockdown phases of the previous years. Out-of-home business, which caters to restaurants and wholesale customers, on the other hand achieved very strong sales volume and revenue growth (+36.1%/+51.5%) following the lockdown periods of the previous years.

FINANCIAL PERFORMANCE

Net income for the year in the amount of EUR 12.4m was markedly lower in 2022 than in the previous year (-71%). The previous year's result included a one-off effect resulting from profit distributions of FRoSTA's foreign entities amounting to EUR 27.3m. Adjusted for this effect, net income decreased by 11.2% year on year. The 2022 financial year was strongly influenced by explosive cost increases for almost all raw materials and energies, which it was only possible to pass on to customers with a time delay. The need to build up higher stock levels in order to buffer against supply risks also drove external warehousing costs upwards very sharply. Our employees worked very hard in all areas to achieve internal cost savings. For example, a cross-plant crisis team very quickly ensured independence from gas supplies by converting to alternative oil combustion so as to be able to maintain production in all eventualities. At the same time, the Company responded to the current situation by implementing a raft of measures to reduce energy consumption. Despite this difficult environment, we continued to improve the quality of our products and again significantly increased advertising expenditure for our brand business compared to the previous year. We also forged ahead with digitalisation during the financial year under review. To better address the issue of cyber security, the SAP system was switched to a cloud-based rental licensing model. The purchased SAP licences held as fixed assets were written down, resulting in a one-off impairment charge of EUR 0.8m.

FINANCIAL POSITION AND CASH FLOWS

Capital expenditure totalling EUR 15.6m in the financial year related to investments in quality improvement, efficiency enhancement measures, energy savings, capacity expansion and digitalisation. EUR 36m (+35% compared to 2021) was used to substantially build up stock levels so as to meet the global supply chain difficulties. The volume of trade receivables also rose sharply following the significant increases in selling prices. These effects were partly offset within working capital by prolonging suppliers' terms of payment. The financing of the necessary funds was secured by taking out long-term loans and additional short-term working capital lines. Despite the additional borrowing, the equity ratio remained at a very good level of 50.6%. At the same time, the ratio of current assets to current liabilities (current ratio) decreased slightly from 164% in 2021 to 158% in the 2022 financial year. The Group was able to fulfil its payment obligations at all times.

EMPLOYEES AND ORGANISATION

EMPLOYEE NUMBERS

FRoSTA AG had an average of 1,051 employees in 2022, 37 fewer than in 2021. The main reason for this was the decrease in private label production volumes. Upon termination of permanent employment contracts, older employees in particular were offered the option to consensually take part in an early retirement scheme.

Annual mean number of employees

	2021	2022	Diff.
Total employees	**1,088**	**1,051**	**-37**
of which permanent	972	942	-28
of which temporary	118	109	-9
FRoSTA head office	**251**	**244**	**-7**
of which Administration	163	160	-3
of which Sales	88	84	-4
FRoSTA production facilities	**837**	**807**	**-30**
of which production Bremerhaven	489	487	-2
of which production Lommatzsch	193	181	-12
of which production Bobenheim-Roxheim	155	139	-16
Group total	**1,088**	**1,051**	**-37**

DIVERSITY AT FRoSTA

49%
share of women among salaried employees

34
nationalities

We believe in gender equality. Therefore, our goal is to achieve a balanced gender ratio at all corporate levels. To enable us to also meet this objective among the members of the Supervisory Board and Executive Board, we are promoting the next generation of young employees. Among salaried employees, women currently make up 49% (2022: 47%) of the workforce. At the first-tier management level below the Executive Board, they accounted for a share of 30% (2021: 20%), And at second-tier level below the Executive Board for 43% (2022: 33%).

We are pleased to report that at the end of the reporting year, FRoSTA's workforce was made up of employees from 34 different countries. Working together with people from different cultural backgrounds not only brings diversity to our ready meal recipes, but also enriches day-to-day work in all departments.

NEW WORK AT FRoSTA

By systematically digitalising our workflows, we were able during the coronavirus pandemic to offer our employees in Administration the possibility to work flexibly in terms of time and place.

With our FlexFocus scheme, we introduced a highly flexible instrument that will allow employees to continue to benefit from hybrid working arrangements in the future and thus better reconcile work and family life. We provide mobile work equipment and in many areas have implemented modern office concepts that offer an ideal framework for workshops, creative as well as personal meetings and networking. What is important is that we maintain the sense of belonging in the work environment and come together “live” to discuss issues, develop ideas together and take advantage of spontaneous contacts and special occasions to broaden our horizon or enjoy time together.

HEALTH MANAGEMENT AT FRoSTA

Our employees’ health is important to us at FRoSTA. Together with our company doctor, we have introduced a communication programme that reaches every individual – no matter where or when. Project initiatives target workplaces directly in order to gain a better understanding of how to overcome the physical and mental strains of everyday work life. Through ergonomics coaching, the introduction of technical aids, training events and return-to-work conversations after an extended period of sickness, we aim to continue to increase awareness of healthy working practices.

EMPLOYEES BECOME SHAREHOLDERS

In 2022, we again offered our employees the option to purchase FRoSTA shares, which we had acquired on the market, at preferential conditions. Even in this inflation-driven year, 477 employees participated in our employee share programme (2021: 536, 2020: 450). A total of 19,746 shares were bought, which although significantly fewer than in the previous year was still higher than in the periods before that (2021: 32,429, 2020: 19,127). The introductory offer, limited to a maximum of 50 shares with an issue price of EUR 19.90 per share, proved the most popular with 18,852 shares purchased (2021: 23,309, 2020: 19,127). Under Proposal II (limited to a maximum of 950 shares depending on seniority), only 894 shares were acquired at an issue price of EUR 49.90 per share (2021: 9,120, 2020: 6,713). The global economic environment and the related development on the stock exchanges were certainly a contributing factor here. Total costs for the programme amounted to kEUR 1,054 (2021: kEUR 1,912, 2020: kEUR 994), which were recognised in personnel expenses.

We are proud that more and more FRoSTA shareholders are active Company employees.

We would like to take this opportunity to warmly thank all of our employees and the Works Council for their outstanding commitment.

APPROPRIATION OF NET PROFIT

The Executive Board will propose to the Annual General Meeting to distribute a dividend of EUR 1.60 per share from net retained profits and allocate the remainder to reserves. Based on 6,812,598 no-par value bearer shares, less 6,133 no-par value bearer treasury shares not entitled to a dividend in accordance with Section 71b of the German Stock Corporation Act (AktG), this results in 6,806,465 no-par value bearer shares entitled to a dividend and a dividend payout of EUR 10.9m.

THE FRoSTA SHARE

Since March 2017, the FRoSTA share has been traded in the Open Market segment of the Frankfurt Stock Exchange (WKN 606900; ISIN DE0006069008; nominal value EUR 2.56). For more information about the FRoSTA share, please see the Group management report 2022. Relating to the disclosures pursuant to Section 160 (1) no. 2 AktG (German Stock Corporation Act), please refer to the Notes.

SUSTAINABILITY, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

We take responsibility. Please read our current Corporate Social Responsibility Report under the following link:

ANNUAL REPORTS AND SUSTAINABILITY REPORTS AS ePAPERS – FRoSTA AG (FRoSTA-AG.COM)

In 2023, we intend to review our sustainability strategy in order to better coordinate the many initiatives and measures and align them in an even more targeted manner.

REPORT ON OPPORTUNITIES AND RISKS

INTERNAL CONTROL SYSTEM

FRoSTA AG's internal control and monitoring system is enforced by the Group's Financial Controlling department in coordination with all other relevant departments.

The most important financial KPIs are sales growth and profitability. These performance figures and their respective drivers are examined, analysed and discussed in the relevant departments on the basis of financial controlling reports drawn up in daily, weekly and monthly cycles.

The objective is to continuously work on improving the results and at the same time to introduce early measures to counter potential negative developments.

In the context of the monthly Sales & Operations Planning Cycle, rolling forecasts are used to react to future market changes.

The correctness and reliability of our accounting and financial reporting is guaranteed by work instructions in the QM manual and the uniform reporting system in SAP, which applies to all relevant Group companies.

The work instructions in the QM manual also stipulate the material and formal requirements concerning the preparation of the financial statements. Nevertheless, risks can still arise, for example when concluding extraordinary transactions.

Through internal audits conducted by our quality management officers, coupled with internal auditing projects, we support the compliance or adaptation of our processes.

The separation of executive, accounting and approval functions reduces the risk of fraudulent actions.

RISK MANAGEMENT SYSTEM

FRoSTA's risk management system is intended to ensure that risks can be quickly identified and assessed at an early stage.

The risk management officers from the various departments assess the risks on an ongoing basis – if necessary drawing on the advice of external consultants – and initiate appropriate countermeasures.

QUANTIFIED RISK ASSESSMENT

In the following tables, risks are assessed with their probability of occurrence and possible extent of losses.

Risk evaluation

Probability of occurrence		I	II	III	IV	V
very probable very frequent	E	high	high	not acceptable	not acceptable	not acceptable
probable frequent	D	medium	high	high	not acceptable	not acceptable
possible infrequent	C	medium	medium	high	high	not acceptable
low rare	B	low	medium	medium	high	not acceptable
very improbable very rare	A	low	low	medium	medium	not acceptable
		I	II	III	IV	V
Extent of losses		low	moderate	high	critical	poses a threat to the Company's existence

Risk assessment

not acceptable	Risk mitigation measures must be initiated/implemented urgently and without delay.
high	Risk mitigation measures must be initiated/implemented promptly.
medium	Risk mitigation measures must be initiated/implemented in the medium term.
low	The existing/implemented risk mitigation measures are sufficient and effective; no (further) action needed at present.

Risk	Probability of occurrence	Extent of losses	Risk
Product risks	low	medium	medium
Cyber risks	possible	medium	medium
Procurement risks	possible	medium	medium
Energy risks	low	medium	medium
Currency risks	low	minimal	low
Sales risks	low	minimal	low
Financing risks	highly improbable	minimal	low
Legal risks	highly improbable	minimal	low

The individual risks and actions to mitigate their impact are discussed in more detail below.

GENERAL RISKS

Market-related business risks are borne by the Company itself. These include, for example, risks from the development and marketing of new products, sales performance in the various distribution channels and the quality level of our products.

As far as is meaningful, we transfer any risks not stemming from the Company's core areas of activity, such as liability and property damage risks, to third parties.

In addition, FRoSTA implements a Code of Conduct for all employees, which is aimed at raising awareness among the workforce for responsible conduct towards one another, towards business partners, in connection with handling data, as well as towards the environment.

PRODUCT RISKS

Quality and production reliability have the highest priority. We therefore continuously strive to improve food safety and our food safety culture. The quality of the raw materials is monitored by audits at our suppliers' facilities and by checking goods as they arrive at our plants. Despite all due care, quality checks cannot provide a fail-safe guarantee of the quality of raw materials since the thresholds for contamination are becoming ever lower and the checks are only carried out on a random basis.

We also purchase raw materials from BSCI (Business Social Compliance Initiative) risk countries. We thus also bear our share of responsibility for the working conditions at our suppliers, as well as for the respect for human rights. Since 2020, we have therefore required all suppliers from BSCI risk countries to be certified in accordance with an internationally recognised social standard (SA 8000, SMETA or similar).

We are currently working intensively on the implementation of the Supply Chain Compliance Obligations Act (Lieferkettensorgfaltspflichtengesetz – LkSG), which will take effect for our size of company from 1 January 2024 onwards.

Our internal value chain processes are also regularly certified to IFS (International Food Standard) and BRC (British Retail Consortium) standards. All of our plants completed audits in 2022 with a high-level of assurance.

CYBER RISKS

We counter cyber risks with the help of modern IT architecture as well as regular internal and external audits and penetration tests as part of a continuous review process.

PROCUREMENT MARKET

The production of frozen food involves the use of a large number of renewable raw materials from over 30 countries, the procurement of which can be subject to wide-ranging fluctuations. In the case of supplies of raw fish, for example, increased demand coupled with limited fish stocks repeatedly results in supply bottlenecks. The same applies to climate-related crop failures that can affect the procurement of fruit and vegetables. This can result in considerable price fluctuations for raw materials which, depending on the competitive and contract situation, we cannot always pass on directly to our customers.

By cooperating with strategic suppliers, we attempt to smooth out these fluctuations and avoid dependencies. In the case of critical raw materials, we are additionally looking to establish several suppliers in different regions. Our own vegetable production also helps us to be independent and at the same time acquire important agricultural expertise.

As it is not always possible to cover stock requirements for the long term, the setting of selling prices is subject to fundamental risks and opportunities. Price agreements with customers over a period of more than six months increase the uncertainty. For that reason, we try to avoid customer supply agreements which go beyond this period. Alternatively, price escalator clauses for certain raw materials can be included in the selling price agreements. Both are not always possible, depending on the competitive situation.

ENERGY SUPPLY

The war in Ukraine has also led to growing uncertainties over energy supply in Europe, accompanied by sharply rising prices. An alternative use of oil and gas in production creates flexibility to bridge price and supply risks. Logistical risks in long-distance coverage and/or diesel price development are reduced through alternative use of the rail network. In order to reduce dependencies over the medium term, we are accelerating development of a renewable energy supply both within FRoSTA and in collaboration with local partners.

Whether FRoSTA AG's German locations will be able to benefit from the so-called "energy price brake" relief package is currently being examined with suppliers and advisors. Based on current assessment criteria, FRoSTA AG is likely to be classified as a "non-energy-intensive company" and the relief, if any, will not be much. This is a disadvantage particularly because high energy costs are also factored into purchased raw materials and services and are therefore not taken into account.

CURRENCY SITUATION

Exchange rate-related fluctuations in the prices of raw materials have a significant influence on the production costs of our products. Exchange rate fluctuations can therefore negatively impact the gross profit margin and the annual operating profit.

FRoSTA purchases many of its raw materials from international markets. Most of these goods are invoiced in US dollars. We make use of standard currency forwards to hedge exchange rate fluctuations. The aim of currency hedging transactions is to hedge specific contracts or negotiated annual talks for the respective period. In addition, a blanket rolling hedging mechanism smooths out short-term fluctuations. As a basic principle, the hedging of exchange rate risks can only compensate to a limited extent for a continually rising US dollar. Correspondingly, opportunities may derive from declining US dollar exchange rates.

SALES MARKET

The increasing concentration of the retail sector is leading to risks arising from the potential loss of bulk contracts. The Company's broad customer structure with its own brands, private labels as well as the supply of Home Delivery services, caterers and industrial customers supports the hedging of fluctuations with individual customers. Our contracts with our customers normally include items and prices but do not guarantee fixed volumes; this means that the risks or opportunities of fluctuating consumption by end customers lie with FRoSTA.

We limit the risk of defaults on outstanding receivables with the help of a strict reminder system and internal credit limits. We counter political and protectionist risks by assessing the opportunities and risks associated with a given market and, where appropriate, including distribution and/or production partners.

The frozen food market is as a basic principle subject to constant change. Our competitors might respond to product trends more quickly or gain technological leads. We conduct intensive research to identify market trends. This enables us to produce innovative product concepts in response to changes or even to initiate changes ourselves within the market.

The FRoSTA brand offers the opportunity for further sustainable growth based on the Purity Promise, an innovative portfolio and its positive image. It is therefore important to be particularly proactive in countering all events that could have a negative impact on the brand's reputation and thus on business development.

FINANCING

Our financing capability depends on our creditworthiness. By continuously improving our earnings and balance sheet strength, we intend to focus on equity financing. At the same time, we are opening up additional borrowing potential on the market, which is available at very short notice thanks to long-standing partnerships with banks. By taking advantage of credit lines, we create additional flexibility in short-term financing. Using long-term loans for long-term financing allows us to limit the interest rate risk. Overall, we are generally subject to the interest rate risk on the capital market, which is currently estimated to be fairly low.

LEGAL RISKS

There are no legal risks.

CRITICAL APPRAISAL OF RISKS AND OPPORTUNITIES

As part of the risk management process, the opportunities and risks for FRoSTA are also monitored regularly during the year, as above all the risk of changing costs could significantly impact the year-end result and, especially in the case of a negative development, could only be passed on to the retail sector with a time delay via higher selling prices.

In assessing the overall risk situation of the FRoSTA Group, we can state that, based on the information known today, there are no risks identifiable at present or in the foreseeable future that could jeopardise the continued existence of the Group as a going concern.

REPORT ON EXPECTED DEVELOPMENTS

Global markets remain unpredictable. The hostilities in Ukraine show no signs of a peaceful outcome in the near future. The political situation in many countries is unstable, the effects of climate change on harvests are uncertain and the consequences of inflation not yet foreseeable in all areas. This means that any forecast regarding the supply situation as well as the purchase prices for the resources we use is still fraught with much uncertainty.

We currently expect that the level of costs and selling prices of the last few months will continue across all markets over the course of the year. Against this background and the sustainable growth of the FRoSTA brand we are expecting to achieve sales growth of +10% to +15% and consolidated net profit of 3% to 5% of sales for 2023.

We have learned how important good cooperation with our employees, customers and suppliers is in enabling us to swiftly and jointly implement countermeasures in the event of changing framework conditions. We will continue to place our trust in and build on these relationships in 2023. At the same time, we recognise the importance of continually improving both the quality of our products and the sustainability of our actions in order to win consumers' trust in our communication and when making their purchasing decisions.

We believe we are well positioned for the new financial year and look forward to making it a successful one.

Bremerhaven, 15 February 2023

The Executive Board

OVERVIEW OF FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

in kEUR

	31/12/2021	31/12/2022	Change
Sales	**461.471**	**564,269**	**22.3%**
EBIT (Earnings before interest and taxes) in % of sales	21,460 4.7%	19,063 3.4%	-11.2%
EBT (Earnings before taxes) in % of sales	48,402 10.5%	18,473 3.3%	-61.8%
Consolidated net profit in % of sales	42,014 9.1%	12,412 2.2%	-70.5%
Balance sheet total	**279,050**	**325,631**	**16.7%**
Current Ratio / Liquidity III (inventories + trade receivables + cash-in-hand) / (provisions + trade payables)	164.3%	157.6%	
Equity ratio	**58.7%**	**50.6%**	

Tasty green.
No stuff.

100% free from artificial additives.

FRoSTA PURITY PROMISE

FRoSTA is for everyone.

ANNUAL FINANCIAL STATEMENTS OF FRoSTA AG

INCOME STATEMENT OF FRoSTA AG

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022

Income statement of FRoSTA AG (in kEUR)

		2021	2022	Effect on net income/ net loss
1.	**Sales**	**461,471**	**564,269**	**22.3%**
2.	Decrease/increase in stock of finished goods and work in progress	9,633	-2,152	> -100.0%
3.	Other own work capitalised	0	0	0.0%
4.	Other operating income	12,235	15,836	29.4%
	of which from currency translation: kEUR 4,912 (2021: kEUR 1,945)			
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	-294,087	-380,449	-29.4%
	b) Cost of purchased services	-9,540	-13,469	-41.2%
		-303,627	**-393,918**	**-29.7%**
6.	Personnel expenses			
	a) Wages and salaries	-54,287	-52,135	4.0%
	b) Social security, post-employment and other employee benefit costs	-10,012	-9,713	3.0%
	of which post-employment: kEUR 6 (2021: kEUR 6)			
		-64,299	**-61,848**	**3.8%**
7.	Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	-14,499	-16,231	-11.9%
8.	Other operating expenses	-79,454	-86,893	-9.4%
	of which from currency translation: kEUR 2,377 (2021: kEUR 1,318)			
9.	**Operating result**	**21,460**	**19,063**	**-11.2%**
10.	Income from long-term equity investments	27,332	0	-100.0%
	of which from affiliated companies: kEUR 0 (2021: kEUR 27,332)			
11.	Other interest and similar income	40	52	31.3%
	of which from affiliated companies: kEUR 49 (2021: kEUR 39)			
12.	Interest and similar expenses	-431	-643	-49.1%
	of which to affiliated companies: kEUR 12 (2021: kEUR 2)			
	of which from unwinding the discount kEUR 38 (2021: kEUR 43)			
13.	**Result from ordinary activities**	**48,402**	**18,473**	**-61.8 %**
14.	Taxes on income	-6,212	-5,885	-5.3%
	of which deferred taxes: kEUR 603 (2021: kEUR 1,543)			
15.	**Earnings after taxes**	**42,189**	**12,587**	**-70.2%**
16.	Other taxes	-175	-175	0.2%
17.	**Net income for the financial year**	**42,014**	**12,412**	**-70.5%**
18.	Withdrawals from other revenue reserves	0	0	0.0%
19.	**Net retained profits**	**42,014**	**12,412**	**-70.5%**

BALANCE SHEET OF FRoSTA AG – ASSETS

AS AT 31 DECEMBER 2022

Balance sheet of FRoSTA AG — Assets (in kEUR)

	2021	2022	Change
A. FIXED ASSETS			
I. Intangible fixed assets			
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	**10,883**	**9,043**	**-16.9%**
II. Tangible fixed assets			
1. Land, land rights and buildings	22,984	23,124	0.6%
2. Technical equipment and machinery	45,583	44,631	-2.1%
3. Other equipment, operating and office equipment	14,584	13,560	-7.0%
4. Prepayments and assets under construction	2,419	5,415	> 100.0%
	85,570	**86,730**	**1.4%**
III. Long-term financial assets			
1. Shares in affiliated companies	11,317	11,317	0.0%
2. Other long-term equity investments	0	0	0.0%
3. Long-term securities and shares in cooperatives	6	6	0.3%
	11,323	**11,323**	**0.0%**
TOTAL FIXED ASSETS	**107,776**	**107,096**	**-0.6%**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials, consumables and supplies	44,110	77,740	76.2%
2. Work in progress	23,409	21,794	-6.9%
3. Finished goods and merchandise	30,120	32,656	8.4%
	97,639	**132,190**	**35.4%**
II. Receivables and other assets			
1. Trade receivables	40,378	47,484	17.6%
2. Receivables from affiliated companies	24,737	30,816	24.6%
3. Other assets	6,317	6,049	-4.2%
	71,432	**84,349**	**18.1%**
III. Cash-in-hand, bank balances and cheques	**850**	**43**	**-94.9%**
TOTAL CURRENT ASSETS	**169,921**	**216,582**	**27.5%**
C. PREPAID EXPENSES	**1,229**	**1,953**	**58.9%**
D. DEFERRED TAXES	**0**	**0**	**0%**
E. EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY	**124**	**0**	**-100.0%**
TOTAL ASSETS	**279,050**	**325,631**	**16.7%**

BALANCE SHEET OF FRoSTA AG – EQUITY AND LIABILITIES

AS AT 31 DECEMBER 2022

Balance sheet of FRoSTA AG — Equity and liabilities (in kEUR)

	2021	2022	Change
A. EQUITY			
I. Issued capital			
1. Subscribed capital	17,440	17,440	0.0%
2. Treasury shares	0	-16	0.0%
	17,440	**17,424**	**-0.1%**
II. Capital reserves	**11,447**	**11,447**	**0.0%**
III. Revenue reserves			
1. Legal reserve	200	200	0.0%
2. Other revenue reserves	92,587	123,289	33.2%
	92,787	**123,489**	**33.1%**
IV. Net retained profits	**42,014**	**12,412**	**-70.5%**
	163,688	**164,772**	**0.7%**
B. PROVISIONS			
1. Provisions for pensions and similar obligations	71	69	-2.8%
2. Provisions for taxes	1,129	2,609	> 100.0%
3. Other provisions	30,122	34,154	13.4%
	31,322	**36,832**	**17.6%**
C. LIABILITIES			
1. Liabilities to banks	12,070	40,307	> 100.0%
2. Trade payables	51,623	62,825	21.7%
3. Liabilities to affiliated companies	14,827	16,117	8.7%
4. Other liabilities	3,977	2,632	-33.8%
of which taxes: kEUR 574 (2021: kEUR 571)			
	82,497	**121,881**	**47.7%**
D. DEFERRED INCOME	**0**	**0**	**0.0%**
E. DEFERRED TAXES	**1,543**	**2,146**	**39.1%**
TOTAL EQUITY AND LIABILITIES	**279,050**	**325,631**	**16.7%**

STATEMENT OF CHANGES IN FIXED ASSETS OF FRoSTA AG 2022

Statement of changes in fixed assets in kEUR

	Purchase and production costs				
	as at 01/01/2022	Additions	Disposals	Reclassifications	as at 31/12/2022
I. Intangible fixed assets					
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	30,457	1,541	2	427	32,423
	30,457	**1,541**	**2**	**427**	**32,423**
II. Tangible fixed assets					
1. Land, land rights and buildings	86,494	1,387	0	281	88,162
2. Technical equipment and machinery	184,877	6,188	6,843	787	185,009
3. Other equipment, operating and office equipment	61,181	1,757	267	217	62,888
4. Prepayments and assets under construction	2,419	4,708	0	-1,712	5,415
	334,971	**14,040**	**7,110**	**-427**	**341,474**
III. Long-term financial assets					
1. Shares in affiliated companies	11,769	0	0	0	11,769
2. Loans to affiliated companies	301	0	0	0	301
3. Other long-term equity investments	176	0	0	0	176
4. Long-term securities and shares in cooperatives	6	0	0	0	6
5. Other loans	22	0	0	0	22
	12,274	**0**	**0**	**0**	**12,274**
	377,702	**15,581**	**7,112**	**0**	**386,171**

Cumulative depreciation, amortisation and write-downs				Net carrying amount	
as at 01/01/2022	Additions	Disposals	as at 31/12/2022	as at 31/12/2022	as at 31/12/2021
19,574	3,808	2	23,380	9,043	10,883
19,574	**3,808**	**2**	**23,380**	**9,043**	**10,883**
63,510	1,528	0	65,038	23,124	22,984
139,294	7,900	6,816	140,378	44,631	45,583
46,597	2,995	264	49,328	13,560	14,584
0	0	0	0	5,415	2,419
249,401	**12,423**	**7,080**	**254,744**	**86,730**	**85,570**
452	0	0	452	11,317	11,317
301	0	0	301	0	0
176	0	0	176	0	0
0	0	0	0	6	6
22	0	0	22	0	0
951	**0**	**0**	**951**	**11,323**	**11,323**
269,926	**16,231**	**7,082**	**279,075**	**107,096**	**107,776**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE 2022 FINANCIAL YEAR

FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN
REGISTERED IN THE COMMERCIAL REGISTER OF THE DISTRICT COURT OF BREMEN, REGISTER NO.: HRB 1100 BHV

(1) BASIS FOR PREPARATION

The single-entity financial statements of FRoSTA Aktiengesellschaft (in the following FRoSTA AG) have been prepared in accordance with the regulations for corporations included in the German Commercial Code (HGB), taking into account the additional provisions of the German Stock Corporation Act (AktG); all figures are specified in thousands of euros (kEUR).

GENERAL

FRoSTA AG prepares its income statement using the total cost (nature of expense) method.

The classification of the income statement was modified to include the line item operating result. This provides a better insight into the earnings situation of the Company.

The financial statements have been prepared under the assumption that the Company will continue as a going concern.

FRoSTA AG also prepares consolidated financial statements, which are published in the Federal Gazette (Bundesanzeiger).

ACCOUNTING POLICIES (2)

FIXED ASSETS

Intangible fixed assets are shown at cost less amortisation. The amortisation is calculated on a straight-line basis over the assets' normal useful life, starting from the date on which they are made available. The useful life for software and licences is four years. The option to capitalise internally generated intangible assets was not exercised. Costs for research and development were therefore expensed in full. Purchased trademark rights are capitalised at cost and amortised over a useful life of 10 years. They are tested annually against their recoverable amount, and written down as required.

Tangible fixed assets are recognised at cost, less depreciation in the case of assets with a limited useful life. The cost of self-generated tangible fixed assets includes all direct costs and an appropriate share of material overheads, production overheads and depreciation in the value of assets used for production.

Depreciation of tangible fixed assets is calculated using the straight-line method on the basis of the normal useful life of the assets concerned.

Depreciation period of tangible assets

	Useful life in years
Buildings	25 – 40
Other constructions	10 – 19
Technical equipment and machinery	7 – 15
IT equipment	3 – 7
Other operating and office equipment	5 – 13

Write-downs are recognised where impairments are expected to be permanent.

Low-value assets with a purchase cost of up to EUR 250.00 are recorded as expenditure in the year in which they are acquired. In the case of a purchase cost between EUR 250.01 and EUR 800.00, low-value assets are fully depreciated and shown as disposals in the statement of changes in fixed assets.

A fixed value is assigned to recognised transport pallets.

Investment grants and subsidies received or requested lower the purchase or production cost of the subsidised assets.

Where impairment is deemed to be permanent, long-term financial assets are recognised at cost less any write-downs to fair value.

CURRENT ASSETS

Inventories are measured at cost unless a lower measurement is required in accordance with the lower of cost or market principle. The present market value is used to measure the lower of cost or market value. The cost of raw materials, supplies and goods is based on the purchase prices plus transaction costs less purchase price reductions.

In addition to direct costs, production cost also includes an appropriate share of the production and material overheads as well as of the depletion in the value of fixed assets. General administration costs as well as social expenses, voluntary social benefits and Company pension schemes are not capitalised. Write-downs are made for identifiable expected losses and for inventory risks arising from excessive storage times or reduced usability.

Allowances for finished goods as at the balance sheet date amounted to kEUR 712 (2021: kEUR 568) as well as kEUR 1,576 (2021: kEUR 1,712) for raw materials, consumables and supplies, and for unfinished goods.

Receivables and other assets are shown at nominal value.

Default and credit risks are accounted for by specific valuation allowances. For the first time, the calculation of a global valuation allowance was waived in the reporting year. The waiver of the global valuation allowance did not affect the comparability of the figures for the reporting year with those of prior periods.

Cash and cash equivalents are reported at nominal value at the balance sheet date.

PREPAID EXPENSES

Prepaid expenses relate to expenses incurred prior to the reporting date of the financial statements which represent expenditure allocatable to specific future periods.

DEFERRED TAXES

Deferred taxes on temporary differences between the accounting and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income are shown on a net basis. In the event of an excess of deferred tax assets over deferred tax liabilities, the option not to recognise them was used. The calculation is made on the basis of the future tax rates applicable at the balance sheet date.

OFFSETTING OF ASSETS AND LIABILITIES, INCOME AND EXPENSES

Assets that are exempt from attachment by all other creditors and that serve exclusively to settle liabilities from partial retirement benefit obligations are measured at their fair value.

The related income and expenses are offset against the income from discounting and shown in the financial result. Furthermore, these assets are offset against the underlying obligation. Any excess of obligations over expected benefits is recognised in the provisions.

PENSIONS AND SIMILAR OBLIGATIONS

Pension obligations are measured in accordance with recognised actuarial principles using the projected unit credit method. The amount of the provisions is determined by including expected trends with respect to future pension developments as well as any probabilities of fluctuation. The biometric actuarial assumptions are based on the "Richttafeln 2018 G" mortality tables issued by Dr Klaus Heubeck.

The following additional assumptions were used:

Assumed interest rate p.a.:	1.78% (2021: 1.87%) (10-year average)
Pension trend p.a.:	2.30% (2021: 1.00%)

Since 1 January 2010, the average interest rate used for discounting has been the rate published by the Deutsche Bundesbank for a residual term of 15 years. Interest expense is recognised in the net financial result.

Provisions for widow's benefit entitlements are determined using the collective method, according to which the probability of marriage is used as the underlying basis for the actuarial assumptions applied.

OTHER PROVISIONS

In this account, the Company has set aside appropriate and adequate provisions for all identifiable risks and contingent liabilities and for expected losses from executory contracts. Provisions are recognised in the amount deemed necessary by applying prudent business judgement to meet the future obligations.

Partial retirement benefit obligations are measured in accordance with actuarial principles using the "Richttafeln 2018 G" mortality tables issued by Dr Klaus Heubeck based on the block model or part-time model. The calculations were based on an assumed interest rate of 1.44% and an expected rise in income of 2.0%. Interest expense is recognised in the financial result.

Working time account reinsurance contracts have been concluded to cover partial retirement programme commitments. The value of pension liability claims from life insurance policies for FRoSTA AG lies solely in the fact that in terms of net assets it is discharged from the obligation in the amount of the insurance benefits. In the event of an asset surplus, the partial retirement benefit commitments are therefore measured at the (higher) carrying amount of the corresponding reinsurance claim, so that no excess of plan assets over post-employment benefit liability is recognised.

Jubilee obligations are measured in accordance with recognised actuarial principles using the projected unit credit method. Any increases of salaries and pensions to be expected for the future are taken into account in determining the present value. Since 1 January 2010, the interest rate published by the Deutsche Bundesbank has been used for discounting. Interest expense is recognised in the financial result.

LIABILITIES

Liabilities are recognised at the balance sheet date with their settlement amount.

CURRENCY TRANSLATION

Foreign currency transactions are initially translated to euros at the applicable spot rate on the date the transaction occurred.

Trade receivables and payables in foreign currencies with a residual term of up to one year are generally measured at the middle spot rate at the balance sheet date. Both unrealised gains and losses are recognised. Derivative financial instruments, in contrast, are recognised in accordance with the imparity principle, whereby provisions are recognised for unrealised losses whereas unrealised gains (profits) may not be recognised.

(3) NOTES TO THE BALANCE SHEET

FIXED ASSETS

An overview of the fixed assets based on total cost is attached to these Notes.

The value of recognised transport pallets was fixed at kEUR 871 (2021: kEUR 871).

The reduction in the cost of subsidised assets to which investment grants and subsidies relate as at 31 December 2022 amounted to kEUR 241 (2021: kEUR 290).

The reversal of investment grants and subsidies of kEUR 49 (2021: kEUR 75) directly reduced gross depreciation/amortisation. No investment subsidies resulting in a purchase cost reduction were received in the reporting year. In the previous year, investment subsidies amounted to kEUR 106.

In the 2022 financial year, our ERP software was moved to a cloud-based system, so it is now rented as „software as a service". Consequently, the purchased ERP software has become obsolete and its residual carrying amount was written off. The amount of this extraordinary write-off in the financial year was kEUR 846.

Other long-term equity investments (in kEUR)

Name of entity	Share of capital in %	Subscribed capital in kEUR	Equity in kEUR	Net profit/ loss for 2021 in kEUR	Net profit/ loss for 2022 in kEUR
1. Copack Tiefkühlkost-Produktionsgesellschaft mbH, Bremerhaven	100.00	256	228	-1	-2
2. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	268	1	0
3. FRoSTA Foodservice GmbH, Bremerhaven	100.00	256	272	0	-1
4. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	279	1	-2
5. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	7,469	44,799	10,703	9,902
6. COPACK France S.a.r.l.,	100.00	153	406	1	0
7. FRoSTA CR s.r.o., Prague/Czech Republic	100.00	41	285	8	9
8. FRoSTA Hungary Kft., Esztergom/Hungary	100.00	16	91	10	9
9. FRoSTA S.r.l. Rome/Italy	100.00	500	4,235	2,207	1,526
10. Copack Sp. z o.o., Bydgoszcz/Poland	100.00	15	1	0	0

In addition, there are four other equity investments which are not included in the overview with reference to Section 286 (3) No. 1 HGB.

The euro amounts from financial statements that have been prepared in foreign currencies are determined using the exchange rate on the balance sheet date.

RECEIVABLES AND OTHER ASSETS

Receivables from affiliated companies included receivables from intercompany deliveries and services amounting to kEUR 24,057 (2021: kEUR 21,968). Other assets were recognised in an amount of kEUR 6,759 (2021: kEUR 2,768).

Of the receivables from affiliated companies, kEUR 1,528 (2021: kEUR 2,083) had a residual term of more than one year.

Of the other assets, kEUR 0 (2021: kEUR 193) had a residual term of more than one year.

EXCESS OF PLAN ASSETS OVER POST-EMPLOYMENT BENEFIT LIABILITY

The partial retirement benefit commitments were recognised with the carrying amount of the corresponding post-employment benefit liability claims from life insurance policies so that there was no excess of plan assets over post-employment benefit liability as of the reporting date. In the previous year, the excess of plan assets over post-employment benefit liability amounted to kEUR 124; kEUR 2 was subject to a distribution restriction. The fair value of assets invested amounted to kEUR 382; purchase costs came to kEUR 380.

EQUITY

Am 31. Dezember 2021 beträgt das Grundkapital At 31 December 2021, share capital amounted to EUR 17,440,250.88 and was divided into 6,812,598 no-par value shares (accounting par value EUR 2.56) classified as ordinary shares. The shares are made out to the bearer.

In accordance with a resolution passed at the Annual General Meeting on 27 April 2022, it was decided to allocate the sum of EUR 31,123,695.25 from the recognised net retained profits of EUR 42,014,445.65 to other revenue reserves. Revenue reserves include profits generated in prior periods to the extent that they were not distributed. Additionally, the portion of purchase costs exceeding the nominal value of the shares acquired through the share buyback is reported as a reduction of revenue reserves (change: kEUR 423).

A total of 6,133 FRoSTA AG no-par value bearer shares held as treasury shares with a nominal value of EUR 15,700.48, or 0.09% of the share capital, were offset against equity. The purchase cost amount of EUR 422,574.32 exceeding the nominal value was reported as a reduction of revenue reserves.

These 6,133 no-par value bearer treasury shares resulted from the following purchase and sales transactions:

In the context of a share buyback in the period between 7 February 2022 and 28 July 2022, FRoSTA AG reacquired 30,000 treasury shares, corresponding to a nominal amount of EUR 76,800.00, or 0.44% of the share capital. This cost the Company EUR 2,213,313.60, which equates to a weighted average price of EUR 73.78 per share.

FRoSTA AG subsequently sold 19,746 no-par value bearer treasury shares under an employee share programme. This corresponded to a nominal amount of EUR 50,549.76, or 0.29%, of the share capital as at 31 December 2022. For these shares, FRoSTA AG received a total of EUR 419,765.40 to be used as it deems fit. As part of a bonus scheme, the Company issued 4,121 shares to employees at first-tier management level below the Executive Board.

The share buybacks were determined on the basis of the shares sold in the previous year within the scope of the share-based remuneration scheme and employee share programme. Since fewer shares were sold under the employee share programme in the financial year 2022, the number of treasury shares increased to 6,133. Under Section 71b of the German Stock Corporation Act (AktG), the no-par value bearer shares held as treasury shares are not entitled to any rights.

Apart from this there is authorised capital, as yet unused, for a fixed period until 20 July 2023, amounting to EUR 1,000,000.00 for the issuing of shares to employees of the Company and its affiliated companies, as well as authorised capital of EUR 5,000,000.00 for a fixed period until 20 July 2023, for a capital increase from cash contributions.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The settlement value of pension provisions relates exclusively to retirees already receiving a pension. The carrying amount pursuant to Section 253 (2) HGB applying the ten-year average interest rate of 1.78% was kEUR 69 in the financial year 2022. Applying the seven-year average interest rate pursuant to Section 253 (6) HGB of 1.44% would have produced a carrying amount of kEUR 71. In 2021, the carrying amount applying a seven-year average interest rate of 1.35% was kEUR 74. The difference amounting to kEUR 2 (2021: kEUR 3) was subject to a distribution restriction.

OTHER PROVISIONS

Other provisions comprised provisions for personnel expenses amounting to kEUR 10,807. This included provisions for jubilee benefits with a settlement amount of kEUR 2,483. The discount rate on which this is based was 1.44%, assuming a residual term of 15 years.

The partial retirement benefit commitments were recognised with the carrying amount of the corresponding post-employment benefit liability claims from life insurance policies.

Additional provisions were also recognised for outstanding invoices amounting to kEUR 3,627. Other provisions also related to obligations arising from sales-related agreements on terms and conditions totalling kEUR 14,899.

LIABILITIES

Liabilities (in kEUR)

	Total amount	of which due within		
		up to 1 year	more than 1 year	of which more than 5 years
Liabilities to banks (previous year)	40,307 (12,069)	19,679 (5,550)	20,628 (6,519)	6,433 (0)
Trade payables (previous year)	62,825 (51,623)	62,825 (51,623)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	16,117 (14,827)	16,117 (14,827)	0 (0)	0 (0)
Other liabilities (previous year	2,632 (3,977)	2,632 (3,977)	0 (0)	0 (0)
Total (previous year)	**121,881 (82,496)**	**101,253 (75,977)**	**20,628 (6,519)**	**6,433 (0)**

The liabilities to banks were guaranteed by mortgages amounting to kEUR 2,292 (2021: kEUR 3,594).

Trade payables were subject to customary retention of title.

Liabilities to affiliated companies resulted from intercompany deliveries and services amounting to kEUR 12,768 (2021: kEUR 13,403) and in an amount of kEUR 3,349 (2021: kEUR 1,424) from other liabilities.

(4) NOTES TO THE INCOME STATEMENT

SALES

Sales by region (in mEUR)

	2021	2022	Change
Germany	367	415	13.1%
Sales deductions	56	65	16.1%
Total	**311**	**350**	**12.5%**
Outside Germany	152	216	42.1%
Sales deductions	2	2	0.0%
Total	**150**	**214**	**42.7%**
Total	**461**	**564**	**22.3%**

Sales by product groups (in mEUR)

	2021	2022	Change
Fish	155	174	12.3%
Fruit and vegetables	124	122	-1.6%
Ready meals and other products	182	268	47.3%
Total	**461**	**564**	**22.3%**

PRIOR-PERIOD INCOME AND EXPENSES AS WELL AS EXPENSES AND INCOME OF EXCEPTIONAL INCIDENCE

The income statement of FRoSTA AG included income relating to prior accounting periods of kEUR 1,378 (2021: kEUR 1,256) and expenses relating to prior accounting periods in the amount of kEUR 1,236 (2021: kEUR 586). Prior-period income mainly related to the reversal of personnel provisions and other provisions. In the financial year 2022, no expenses of an exceptional scale or exceptional incidence were incurred (2021: kEUR 2,017).

OFFSETTING OF INCOME AND EXPENSES

No return was earned on plan assets in 2022, thus rendering offsetting against expenses unnecessary. In the previous year, a return on plan assets amounting to kEUR 2 was offset against interest expense for partial retirement benefit obligations amounting to kEUR 3.

TAXES ON INCOME

Deferred taxes on temporary differences between the accounting and tax carrying amounts of assets, liabilities, prepaid expenses and deferred income were determined as follows.

Deferred tax assets and liabilities (in kEUR)

	31/12/2021		31/12/2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible fixed assets	0	1,541	0	1,490
Tangible fixed assets	0	377	0	1,502
Provisions for pensions	5	0	6	0
Other provisions	341	0	902	0
Trade payables	0	11	0	62
Total	**346**	**1,889**	**908**	**3,054**
Netting	-346	-346	-908	-908
Balance	**0**	**1,543**	**0**	**2,146**

The temporary differences were measured based on the combined tax rate of corporation tax and trade tax of 30.66% (2021: 30.66%).

A resulting theoretical tax benefit was not recognised in accordance with the option as set forth in Section 274 HGB.

(5) OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

Other financial obligations (in kEUR)

	31/12/2021	31/12/2022
Obligations arising from current lease agreements	1,193	1,146
Obligations under current rental and maintenance contracts	4,094	4,592
Purchase commitments from expansion investments	6,546	11,043
Consignment agreements	2,829	2,276
Total	**14,662**	**19,057**

Remaining maturities of rental, maintenance and lease agreements as at 31 December 2022 (in kEUR)

	< 1 year	1 – 5 years	> 5 years
Future payments from current lease agreements	574	567	5
Future payments from current rental and maintenance contracts	3,299	1,291	2
Purchase commitments from expansion investments	11,043	0	0
Consignment agreements	2,276	0	0
Total	**17,192**	**1,856**	**7**

HEDGING TRANSACTIONS/ DERIVATIVES

Currency hedging is used to hedge outgoing payments in USD. Derivative financial instruments are accounted for at cost when purchased. The banks determine the fair values as at the balance sheet date on the basis of market quotations. Hedging transactions are measured in accordance with the imparity principle, whereby provisions for contingent losses are recognised for unrealised losses whereas unrealised gains may not be recognised. These are reported under other provisions.

Hedging transactions/derivatives (in kEUR)

Financial instrument	Type	Period	Underlying transaction	Scope	Fair value
Currency forwards	Purchase kUSD	30/09/2022 until 29/06/2023	43,360	41,742	-1,270

AUDITORS' FEES AND SERVICES

The total fees invoiced by the auditors, BDO AG Wirtschaftsprüfungsgesellschaft, for the financial year are included in the relevant section of the Notes to the consolidated financial statements.

NUMBER OF EMPLOYEES

Employees (annual average)

	2021	2022
Wage earners	720	693
Salaried staff	343	338
of whom trainees	5	5
Number of employees pursuant to Section 285 No. 7 HGB	**1,063**	**1,031**
Apprentices	25	20
Total	**1,088**	**1,051**

EXECUTIVE BOARD

The following persons were members of the Executive Board of FRoSTA AG in the financial year 2022:

- Felix Ahlers, businessman, Hamburg, Chairman, as at 31 December 2022: 2,294,849 FRoSTA shares = 33.7 %.
- Hinnerk Ehlers, businessman, Hamburg, Vice President Marketing, Sales and Human Resources
- Maik Busse, businessman, Bremerhaven, Vice President Finances, Financial Controlling, IT, SCM and Operations

The total number of FRoSTA shares owned by the Executive Board as at 31 December 2022 was 2,308,114 shares = 33.9 %.

SUPERVISORY BOARD

The following persons were members of the Supervisory Board of FRoSTA AG in the financial year 2022:

- Volker Kuhn, businessman, Geneva, Chairman of the Supervisory Board, President Hygiene, Reckitt Benckiser
- Dirk Ahlers, businessman, Hamburg, Vice Chairman of the Supervisory Board, former Chairman of the Executive Board, as at 31 December 2022: 681,159 FRoSTA shares = 10.0 %.
- Torsten Richter, Lommatzsch, employee of FRoSTA AG, Lommatzsch

The total number of FRoSTA AG shares owned by the Supervisory Board as at 31 December 2022 was 681,659 shares = 10.0 %.

REMUNERATION PURSUANT TO SECTION 285 NO. 9 HGB

The members of the Executive Board receive remuneration made up of the following components:

- a fixed basic annual salary
- a variable remuneration component for the purchase of FRoSTA shares
- a variable remuneration component dependent on consolidated pre-tax profit
- a long-term bonus component oriented towards the 3-year average return on investment (ROI) of FRoSTA AG.

The paid out total remuneration of the Executive Board of FRoSTA AG in the 2022 financial year amounted to kEUR 2,555 (2021: kEUR 2,802). Of this, the fixed remuneration came to kEUR 807 (2021: kEUR 807) and variable remuneration to kEUR 1,748 (2021: kEUR 1,995).

The members of the Supervisory Board receive remuneration made up of the following components:

- a fixed basic annual salary paid once a year
- a performance bonus related to earnings per share, which is also paid once a year

The remuneration of the Supervisory Board amounted to kEUR 144 (2021: kEUR 150), of which kEUR 54 (2021: kEUR 60) was variable remuneration and kEUR 90 (2021: kEUR 90) was fixed remuneration.

REPORT ON POST-BALANCE SHEET EVENTS

No significant events having a material impact on the financial position, financial performance and cash flows as at 31 December 2022 occurred after the balance sheet date.

OTHER

On 22 December 2015, Mr Dirk Ahlers notified the Company that his shareholding had fallen below 25%.

On 22 December 2015, Ms Friederike Ahlers notified the Company that her shareholding had exceeded 25%.

On 22 December 2015, Mr Felix Ahlers notified the Company that his shareholding had exceeded 25%.

APPROPRIATION OF NET PROFIT

Based on 6,812,598 no-par value bearer shares less 6,133 no-par value bearer shares held as treasury shares, which under Section 71b of the German Stock Corporation Act (AktG) are not entitled to any rights, the number of no-par bearer shares entitled to a dividend came to 6,806,465. At the Annual General Meeting, we will be proposing a dividend payment of EUR 1.60 per share corresponding to a total dividend payment of EUR 10,890,344.00. This payment will be taken from the net income for the year as at 31 December 2022 of EUR 12,412,239.95. The remaining EUR 1,521,895.95 will be allocated to other capital reserves.

Bremerhaven, February 2023

The Executive Board

Felix Ahlers   Maik Busse   Hinnerk Ehlers

INDEPENDENT AUDITORS' REPORT

TO FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

AUDIT OPINIONS

We have audited the annual financial statements of FRoSTA Aktiengesellschaft, Bremerhaven — comprising the balance sheet as of 31 December 2022 and the income statement for the financial year from 1 January 2022 to 31 December 2022 and the notes to the annual financial statements, including the recognition and measurement policies presented therein.

In addition, we have audited the management report of FRoSTA Aktiengesellschaft for the financial year from 1 January 2022 to 31 December 2022.

In accordance with the German legal requirements, we have not audited the elements of the management report included in the OTHER INFORMATION section of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the elements referred to in the OTHER INFORMATION section of the management report referred to above.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR OUR OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT section of our auditors' report.

We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

OTHER INFORMATION

The executive directors are responsible for the other information.

The other information comprises the corporate governance statement in accordance with Section 289f (4) HGB and the non-financial statement in accordance with Section 289b HGB, as well as the cross-reference to the sustainability report published on the website of FRoSTA Aktiengesellschaft (www.frosta-ag.com).

Our opinions on the annual financial statements and on the management report do not cover the other information, and we therefore do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, the management report 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.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i. e. accounting manipulation or financial loss) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud (i. e. accounting manipulation or financial loss) or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditors' report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 opinions. 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 of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditors' report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future

events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in such a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Bremen, 15 February 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Zypress	signed Renken
German Public Auditor	German Public Auditor

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FRoSTA PURITY PROMISE

FRoSTA is for everyone.

TEN-YEAR OVERVIEW FOR THE FRoSTA GROUP

HGB ←

Ten-year overview for the FRoSTA Group

		2022	2021	2020
Employees (average)	Number	1,712	1,757	1,778
Revenue	mEUR	579	527	552
EBITDA	mEUR	54.8	57.0	55.8
Consolidated profit/loss	mEUR	24.3	28.6	25.1
Capital expenditure	mEUR	21.0	15.0	15.2
Shares	Number	6,812,598	6,812,598	6,812,598
Total dividend	kEUR	10,900 [2]	10,900	10,900
Dividend per share	EUR	1.60 [2]	1.60	1.60
Earnings per share	EUR	3.57	4.20	3.68
Non-current assets	mEUR	121.9	121.3	125.5
Current assets	mEUR	258.8	202.6	181.6
Equity	mEUR	205.3	193.0	175.9
Equity ratio		53.6%	59.3%	57.7%
Liabilities to banks	mEUR	42.5	14.0	28.8
Return on Investment (ROI)		12.8%	15.8%	14.7%

[1] In 2018, the employees of the small sales offices in Eastern Europe were included in the calculation for the first time and the allocation of administration – previously partly included in the plant in Bydgoszcz – was adjusted, so that the comparative figure for 2017 was also adjusted accordingly.
[2] subject to approval by the General Meeting

→ IFRS

2019	2018	2017	2016	2015	2014	2013
1,852	1,778 [1]	1,709	1,665	1,631	1,559	1,523
523	509	501	466	440	408	386
28.8	46.6	49.3	43.8	38.3	36.2	29.5
12.4	20.0	23.4	21.6	18.2	17.3	12.0
19.7	37.3	31.6	26.0	14.1	16.3	8.4
6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,812,598	6,812,598
10,900	10,900	10,900	10,203	9,265	9,265	6,813
1.60	1.60	1.60	1.50	1.36	1.36	1.00
1.82	2.93	3.43	3.17	2.67	2.53	1.80
130.9	135.1	115.3	89.7	76.5	75.4	71.1
189.7	193.5	194.8	181.8	168.2	159.7	150.9
165.1	169.5	161.9	145.7	134.7	125.7	116.6
51.4%	51.6%	52.2%	53.7%	55.1%	53.5%	52.5%
55.7	42.2	44.6	27.6	33.2	29.4	39.1
6.9%	11.2%	15.2%	14.1%	12.7%	12.7%	9.4%

REPORT OF THE SUPERVISORY BOARD FOR THE 2022 FINANCIAL YEAR

DEAR SHAREHOLDERS,

In the 2022 financial year, the Supervisory Board carried out the duties incumbent upon it under the law and the Company's Articles of Association and its own Rules of Procedure. The Supervisory Board advised the Executive Board on the running of the Company and continually supported and monitored all executive business activities. In doing so, the Supervisory Board also satisfied itself of the legality and appropriateness of the measures taken. Within the scope of this close collaboration, the members of the Supervisory Board were briefed by the Executive Board in a regular, timely and comprehensive manner in writing, by telephone and in personal conversations on the situation of the Company and the Group, the principles of the business policy, the Company's profitability, as well as on important business transactions. Furthermore, between official meetings the Supervisory Board Chairman held regular personal meetings with the Executive Board and informed himself about the development of business. The Supervisory Board was informed and consulted in a direct and timely manner on all decisions of consequence for the Company or for which its approval is required in accordance with the law and the Company's Articles of Association or its own Rules of Procedure. Thanks to the regular, timely and detailed information received from the Executive Board, the Supervisory Board was able to completely fulfil its monitoring and consulting duties.

MEETINGS AND FOCUS OF CONSULTATIONS

The 2022 financial year was dominated by the enormous global repercussions of the war in Ukraine, the energy crisis, raw material supply bottlenecks and accompanying inflation as well as by the ongoing COVID-19 pandemic. Accordingly, the topics of regular discussions between the Executive Board and the Supervisory Board were principally their impact on FRoSTA AG's business situation with regard to the availability of raw materials and the passing on of necessary price increases to retailers, which were difficult to implement and in some cases only possible with a delay.

One of the main focuses of regular discussions in the 2022 financial year was the development of the FRoSTA brand. The transformation of the Company into a strong brand producer continued apace. The Supervisory Board consulted intensively with the Executive Board on this matter. The share of brand business in total sales increased from 38.4% in 2021 to 42.8% in 2022.

The situation on the procurement markets was again the dominant topic at all Supervisory Board meetings in 2022. Particular consideration was given to price increases for raw materials, energy and logistics costs as well as measures to ensure supply capability.

The Supervisory Board convened four ordinary meetings in 2022: on 23/02/2022, 27/04/2022, 15/09/2022 and 21/12/2022, which were attended by all members. At these ordinary meetings, the Supervisory Board received reports from the Executive Board pursuant to Section 90 (1), sentence 1, nos. 1–3 of the German Stock Corporation Act (AktG) on the planned business policy, profitability and the course of business, including the market and competitive situation, and discussed these in detail. Furthermore, in accordance with Section 90 (1) sentence 1, no. 4, the Executive Board reported on transactions which may significantly affect the Company's and/or the Group's profitability or liquidity.

In addition to the areas mentioned above, the Supervisory Board also dealt in particular with the following topics at its individual meetings:

On 23 February 2022 with the review and approval of the 2021 annual financial statements and a detailed discussion on the supply situation and price development of key material groups as well as the development of selling prices.

On 27 April 2022 with preparations for the virtual Annual General Meeting being held the same day.

On 15 September 2022, the ongoing development of raw material prices and the development of energy supply and the strategic structuring of the brand business were discussed.

On 21 December 2022 with the presentation, discussion and approval of the annual planning for the 2023 financial year. Torsten Richter, employee representative on the Supervisory Board, also reported on developments at the production plants.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS

The 2022 single-entity and consolidated financial statements and the management report for FRoSTA AG and for the Group prepared by the Executive Board were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Bremen, as mandated by the Annual General Meeting. BDO AG Wirtschaftsprüfungsgesellschaft, Bremen, examined both the single-entity and the consolidated financial statements and issued both with unqualified auditor's reports.

The management reports of FRoSTA AG and of the Group were also issued unqualified auditors' reports.

The audit reports were submitted to the members of the Supervisory Board in good time. They were duly reviewed and discussed in detail by the Supervisory Board at its meeting on 15 February 2023. For its part, the Supervisory Board thoroughly reviewed the single-entity financial statements, the consolidated financial statements, the management reports of FRoSTA AG and the Group as well as the proposal on the appropriation of net retained profits.

The Supervisory Board determined that, having completed its review, it had no objections either to the single-entity financial statements as at 31 December 2022 or to the consolidated financial statements as at 31 December 2022, nor to the management reports of FRoSTA AG and the Group as at 31 December 2022. The Supervisory Board therefore unanimously approved the single-entity and consolidated financial statements prepared by the Executive Board. The annual financial statements were thereby adopted.

The Supervisory Board also approved the proposal of the Executive Board on the appropriation of net retained profits.

COMPOSITION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

In the reporting period, the composition of the Executive Board remained unchanged with Felix Ahlers (Chairman), Maik Busse and Hinnerk Ehlers.

The members of the Supervisory Board in 2022 were, unchanged, Volker Kuhn (Chairman), Dirk Ahlers (Vice Chairman) and Torsten Richter as employee representative.

COMMITTEES

The Finance and Personnel Committee, composed of Volker Kuhn and Dirk Ahlers, met prior to each Supervisory Board meeting and discussed in advance by phone the submitted detailed monthly earnings figures. The Supervisory Board has not formed any other committees due to its size.

REMUNERATION OF THE EXECUTIVE BOARD

The fixed remuneration of the Executive Board members for the financial year 2022 remained unchanged compared with 2021. The variable portion of the Executive Board's remuneration decreased by around 12% to kEUR 1,748 (2021: kEUR 1,995).

WORD OF THANKS

The Supervisory Board would like to express its thanks to all employees and to the Executive Board for the good work done and for their unswerving commitment. FRoSTA AG overcame the numerous challenges in 2022 and developed positively, and, at EUR 24.3m, reported a satisfactory net profit for the financial year.

Bremerhaven, 15 February 2023

For the Supervisory Board

Volker Kuhn

GROUP STRUCTURE AND ADDRESSES

V Sales P Production

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