ANNUAL REPORT
2019

KEY FIGURES FOR THE FRoSTA GROUP

Key figures of the FRoSTA Group

Financial year		2018	2019
Employees (average)	number	1,779	1,852
Revenue	mEUR	509	523
EBITDA	mEUR	46.6	34.9
in % of revenue		9.2%	6.8%
Consolidated profit/loss for the year	mEUR	20.0	12.6
Capital expenditure	mEUR	37.3	24.3
Dividend per share	EUR	1.60	1.60 [1]

[1] subject to approval by the General Meeting

FINANCIAL CALENDAR

Financial Calendar

Event	Date
Presentation of Annual Results Bremerhaven	Thursday, 27 February 2020
Annual General Meeting Bremerhaven Civic Centre Wilhelm-Kaisen-Platz 27576 Bremerhaven	Friday, 15 May 2020 [2]
Half-yearly financial report 2020	Friday, 24 July 2020

[2] subject to the current health situation

PUBLISHING INFORMATION

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FRoSTA Aktiengesellschaft

Am Lunedeich 116

27572 Bremerhaven

Phone: +49 471 9736–0

Fax: +49 471 75163

E-mail: info@frosta.de

www.frosta-ag.com

CONTENT


FRoSTA
100% frei von
JETZT IM PAPIER BEUTEL
GEMÜSE PFANNE TOSKANA
480 g

LETTER TO OUR SHAREHOLDERS

Dear shareholders,

2019 was not an easy year for us, forcing us to revise our profit expectations downwards more than once. Our operating profit for the year still fell short of the previous year's figure and of our original forecast, despite the fact that revenue from sales of FRoSTA brand products is continuing to grow strongly and we achieved an overall revenue increase of 2.7%.

Unfortunately, we were not able to fully pass on the impact of price increases for fish, which began to bite from mid-2018, to our customers until 2019. We must become better at this going forward. A second dry summer in succession led to poorer harvests of many vegetable varieties and we had to compensate for this by buying in expensively from the market.

However, there were also a number of positive achievements to report on in 2019: for example, after a three-year development phase, we launched the first paper bag on the frozen foods market in September. The reactions from our customers have been overwhelming and we are now about to roll out the first products in the market. The goal is to replace over 40 million plastic bags with paper packaging. Another innovation was the introduction of a new herb box at the end of 2019 with a patented click closure that seals in freshness and is especially eco-friendly.

We also introduced SAP S/4 HANA in mid-2019 and are now gearing up intensively to embrace the opportunities that digitalisation offers.

These investments in the future did not yet make a positive contribution to earnings in 2019. On the contrary, they cost us time and money. However, we believe that they increase the quality of our products, are fundamentally important for protecting the environment and will bring financial rewards in the long run.

We are therefore optimistic for the coming years and hope we can count on your support as our customers and shareholders. We would like to congratulate our employees on the excellent work done and on the implementation of the many forward-looking projects.

This year's Annual General Meeting will take place on 15 May 2020. We hope to welcome you and look forward to interesting discussions.

Yours

Felix Ahlers | Maik Busse | Hinnerk Ehlers

OUR MISSION: EXCELLENCE FOR OUR CUSTOMERS

OUR MISSION IS TO DEVELOP AND PRODUCE EXCELLENT FROZEN FISH, READY MEALS, VEGETABLES, HERBS AND FRUIT. IN DOING SO, WE ARE GUIDED BY THE FOLLOWING VALUES:

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 1,800 people work for FRoSTA AG in six countries. We produce at three plants in Germany and one in Poland.

1,852 EMPLOYEES IN **6** COUNTRIES

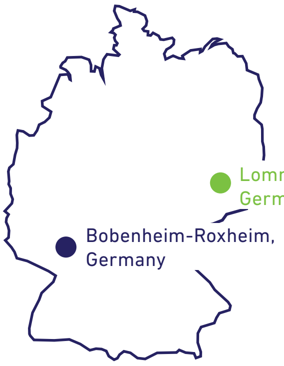
The FRoSTA brand is a successful provider of frozen fish, vegetables and meals in Germany, Poland, Austria, Italy and Eastern Europe. The FRoSTA "Purity Command" is our way of promising that we will never add any colours, flavourings, flavour enhancers, stabilisers or emulsifiers to any of our branded 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.

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.

Production   Sales

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 Command

tiko brand – Fish and meals

Elbtal brand – Vegetables

La Valle degli Orti brand – Vegetables

Mare Fresco brand – Fish

Surgela brand – Fish

PRIVATE LABEL BUSINESS

FRoSTA AG

copack®

Production partner according to customer requirements

NON-RETAIL-BUSINESS

FRoSTA FOOD SERVICE

MANAGEMENT BODIES

SUPERVISORY BOARD

Dirk Ahlers
Hamburg
Businessman
Chairman

Volker Kuhn
Genf/Schweiz
Businessman
Vice Chairman

Jürgen Schimmelpfennig
Bremerhaven
Machine Fitter
(until 21 May 2019)

Torsten Richter
Lommatzsch
Master electrical engineer
(until 22 May 2019)

VORSTAND

Felix Ahlers
Hamburg
Chairman

Maik Busse
Bremerhaven

Hinnerk Ehlers
Hamburg

Jürgen Marggraf
Bremerhaven
Vice Chairman
(until 31 March 2019)

HI THERE, WE'RE NEW!

NEW FRoSTA PRODUCTS IN 2019

The new products that we launched in 2019 are, of course, also subject to the strict FRoSTA Purity Command. 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.

FRoSTA REINHEITSGEBOT seit 2003 100% frei von zugesetzten Geschmacksverstärkern, Farbstoffen & Aromen

FISH

KÜSTEN FILET

Our new versatile Küsten Filets lightly dusted in flour and with a high fish percentage complement our range of North Sea pollack products.

The pollack for our Küsten Filets comes from a German fishery and it goes without saying that it's MSC-certified.

→ KÜSTEN FILETS

SCHLEMMERFILET KÄSIG KROSS

Caution: risk of addiction! Schlemmerfilet gets cheesy.

Our new Schlemmerfilet Käsig Kross is a succulent combo of fish in an edam and pecorino crispy crumb coating.

The new combination ensures an exciting new taste sensation and is a must for all cheese and Schlemmerfilet lovers.

→ SCHLEMMERFILET KÄSIG KROSS

FRoSTA LOW CARB

Figure-conscious gourmets and fitness enthusiasts will love FRoSTA's new low carb range that we introduced in March 2019. Instead of conventional high-carb staples like pasta and rice, the dishes use innovative ingredients such as pea pasta and "cauliflower rice". All four dishes are also rich in protein with between 17.2 g and 28.0 g per 400 g serving, so are ideal if you're following a high-protein diet.

→ ASIA STYLE CHICKEN MIT CHOI SUM
→ CHICKEN TERIYAKI MIT BLUMENKOHLRASPELN
→ BEEF'N BEANS MIT BUNTEM PAPRIKA-MIX
→ WILDLACHS SOMMERGEMÜSE MIT ERBSEN-PASTA

HERB CLICK-BOX

Things clicked at FRoSTA in 2019: 15 kinds of herbs are now available in the re-sealable and eco-friendly herb click-box.

→ PETERSILIE
→ 8-KRÄUTER
→ SCHNITTLAUCH
→ ITALIENISCHE KRÄUTER
→ BASILIKUM
→ GARTENKRÄUTER
→ SALATKRÄUTER
→ DILL
→ ZWIEBEL MIX
→ ASIATISCHER MIX
→ KNOBLAUCH
→ SUPPENGRÜN
→ BÄRLAUCH
→ KORIANDER
→ KRÄUTER DER PROVENCE

NEW PRODUCTS IN ITALY

In Italy, we introduced new packaging in 2019 with much lower plastics content. The new packaging can be disposed of in the paper recycling bin. Thanks to the EcoBag, our minestrone from "La Valle degli Orti" is the most innovative frozen food product in Italy – and more EcoBags products are set to follow in 2020.

Under the FRoSTA brand, we have introduced the first and only range of products featuring pollack from Norway.

There are four articles in all:

→ FILETTI DORATI – POLLACK IN A CRISPY COATING

→ BOCCONCINI – POLLACK IN A SEED OR HERB COATING

→ POLPETTE DI PESCE – DELICIOUS SMALL POLLACK FILLET PORTIONS IN A LIGHT COATING

The new grill fish range is perfect for all those who also want to enjoy delicious grilled fish outside of the BBQ season.

There's something for everyone:

→ BISTECCA DI MERLUZZO WITH OLIVE OIL & ROCKET

→ FILETTI DI MERLUZZO IN THE TASTY VARIETIES OLIVE OIL & ROCKET OR WITH AROMATIC HERBS.

OUR SOCIAL COMMITMENT

2% OF OUR DIVIDEND AMOUNT FOR SOCIAL PROJECTS

OUR BROCCOLI FROM COTOPAXI

For over 20 years, we have sourced our broccoli from Ecuador's Cotopaxi province, where it grows in the uplands under ideal climatic conditions. At altitudes of over 2,000 metres there are virtually no parasites, so for the most part the use of pesticides can be avoided. Broccoli from Ecuador is of outstanding quality. Immediately after it is harvested it is processed and frozen, before being transported to Germany by ship. Its carbon footprint is therefore no higher than that of broccoli from Spain, which is transported to Germany by truck.

Together with the children's aid organisation PLAN INTERNATIONAL DEUTSCHLAND, we have initiated a large-scale education programme in the Cotopaxi region.

Our vegetables purchasing manager, Dennis Diener, inspects freshly picked broccoli in Cotopaxi, Ecuador.

The first phase of the "Income for young people and their families" project in Cotopaxi province ran from January 2017 to March 2019 and was dedicated to generating sustainable sources of earnings for teenagers and young adults between the ages of 16 and 24. A total of 21 workshops with as many as 184 young participants were held in the five project communities. The aim of these workshops was to help the young people expand their personal, financial and entrepreneurial skills.

Young people from the community of San Agustín founded a bakery in 2019.

From October 2018, the business ideas developed in the workshops were then put into practice. Two enterprises for vegetable growing and chicken farming and three bakeries were set up and managed by the young adults, 80% of whom are female!

On the back of the project's huge success, we have decided to continue the collaboration with Plan International and extend the activities to a further four communities. Plan is continuing to provide support for the five micro-businesses founded by the young people in the first project phase.

And our colleagues from the purchasing department, who regularly visit our broccoli suppliers in Cotopaxi, take the time on each trip to visit the young businesses and project communities and see how the projects are coming along.

Dennis Diener (centre) visits the newly established "Panaderia Espiga dorada" in San Agustín

> We've succeeded in replacing our plastic bags with bags made from paper. These bags are made using unbleached paper from sustainably managed forests, use water-based inks in the printing process and can, of course, be disposed of in the paper recycling bin.

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT FOR THE COMPANY AND GROUP OF FRoSTA AKTIENGESELLSCHAFT, BREMERHAVEN

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

MARKET AND SECTOR REPORT

MACRO- AND MICROECONOMIC FACTORS

According to the European Commission's forecast, the EU gross domestic product is expected to show growth of 1.1%. The German economy by contrast – which is an important benchmark for our company – is growing by only 0.6% and was largely underpinned by private consumption growth of 1.6% (sources: https://ec.europa.eu/germany/news/20191107-herbstprognose-2019_de and https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811).

The food retail segment in Germany achieved growth of 1.2% in the reporting year (source: https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_034_45212).

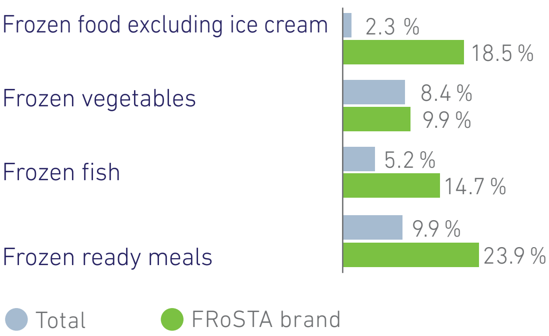
CHALLENGES IN THE PROCUREMENT MARKETS

The procurement markets in 2019 were characterised by a continued sharp rise in the price of fish and vegetables. Following initial increases in the price of fish of around 40% in the second half-year of 2018, fish prices remained at a very high level throughout 2019. From January 2019, these prices have also been visible to consumers in supermarkets. The drought experienced in the areas around Lommatzsch and Bobenheim where our vegetable processing facilities are located led to significantly poorer harvests, especially for peas and beans. We made up for the shortfall by buying in from the market. However, because the dry weather also affected the agricultural sector in other regions of Europe we had to pay significantly more for the additionally bought-in produce than for our own vegetables. We anticipate that climate change will continue to result in strongly fluctuating harvest yields, which we will have to compensate for through outside sourcing.

DEVELOPMENT OF THE FROZEN FOOD MARKET IN 2019

In 2019, frozen food sales in the German food retail segment, including hard discounters (Aldi/Lidl/Norma), increased by 2.3%.

Performance in % (2019 vs 2018)



The FRoSTA brand again posted double-digit growth and, with 18.5%, grew significantly faster than the market as a whole. In all relevant market segments (fish, vegetables and ready meals), FRoSTA contributed overproportionally to segment growth (source: IRi 2019).

In Italy, with a slight increase of 0.1%, the market for frozen food remained stable year-on-year. At 3.4% overall, our brand business grew faster than the market, with FRoSTA brand fish items accounting for an above-average share of this growth. Both range and availability have been extended significantly, leading to growth of 138% year-on-year. The „La Valle degli Orti" vegetable brand, which we acquired from Nestlé Italiana S.p.A in 2017, was further consolidated during the year: the contracts assumed from Nestlé were renegotiated with all trading partners and the product range was revised. The brand identity was further developed in all media, backed by high advertising expenditures. Innovative paper packaging was introduced for the major minestrone product category. Nevertheless, below the line, revenue declined by 16.6% (source: Nielsen 2019).

While we do not have detailed market data for the countries in Eastern Europe, we are nevertheless assuming moderate growth in these markets. In the target markets relevant to us, the FRoSTA brand again grew slightly in the past financial year, thus strengthening its market position in all countries.

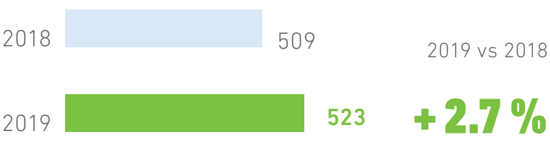
BUSINESS ENVIRONMENT

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL SITUATION

REVENUE

Overall, the total revenue of the FRoSTA Group in 2019 increased by 2.7% to EUR 523m year-on-year.

Group revenue (in mEUR)



This growth is attributable to the particularly positive development of the brand business both in Germany and abroad, where demand again increased in double digits respectively. The strong and unabated growth of the FRoSTA brand in Germany contributed significantly to this. The second full year following the „La Valle degli Orti" and „Mare Fresco" brand acquisition in Italy fell short of our expectations.

Revenue performance in the Home Delivery segment remained for the most part stable.

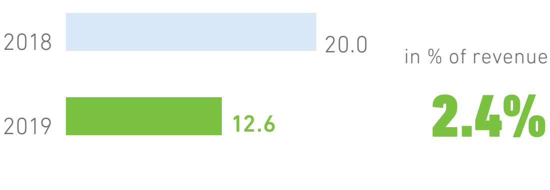
The Foodservice business made an important contribution to the positive performance in all markets in 2019.

Business in the private label segment on the other hand again declined. Due to the rising costs for energy, transport and raw materials, it was not always possible to match the price expectations of our customers, leading to a corresponding loss in volumes.

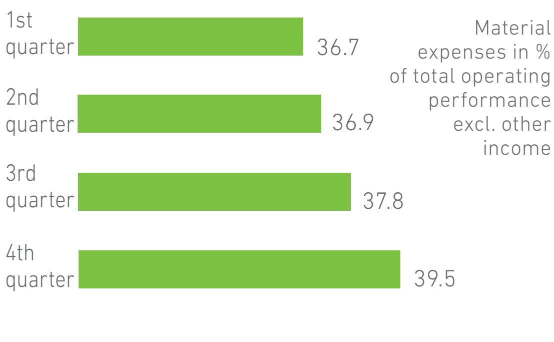
RESULTS OF OPERATIONS

Profit for the year was markedly lower in 2019 than in the previous year by EUR 7.4m. The main factor here, with a negative impact of EUR 14.1m, was the lower raw material margin in the first few months of the year. We were only able to significantly counter this effect in the last four months of the year after implementing higher selling prices to our customers.

Consolidated profit/loss (in mEUR)



Raw material margin



Despite this development, we systematically increased our spending on advertising and marketing activities by EUR 1.8m. Support for the Italian brand business matched the same high level as the previous year. Here, margin-enhancing measures in the portfolio made it possible to reduce the start-up loss of EUR -4.6m to EUR -1.8m, although this still fell short of breaking even.

The commissioning of new lines in the production facilities involved longer learning curves than anticipated, thus incurring unexpected start-up costs of around EUR 1m.

Furthermore, capital expenditure on technology and digitalisation was reflected in earnings through a EUR 1.1m increase in amortisation/depreciation compared with the previous year (adjusted for the first-time application of IFRS 16, which requires the amount of EUR 1.1m previously recognised as expenses from operating leases to be shown under amortisation/depreciation).

Capital expenditure on new technologies, for example the introduction of novel paper packaging, also gave rise to non-recurring costs in the reporting year.

The Company was able to partially offset the decline in revenue thanks to strict overheads management coupled with significantly lower bonuses at all levels as a result of lower earnings.

Net finance costs/income showed no significant change year-on-year. Proceeds from the liquidation of FRoSTA Italia Srl and repayments of non-current loans led to an improvement in net finance costs/income from EUR -0.7m to EUR 0.1m.

A tax reimbursement from prior accounting periods impacted the tax result by EUR -0.9m.

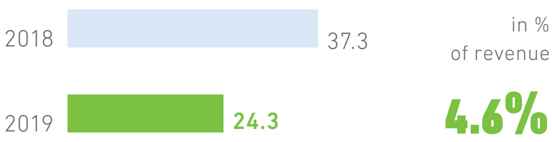
As reported in the ad hoc announcement dated 20 January 2020, this earnings result was lower than assumed in the latest forecast. This is attributable to further impacts from higher raw material costs and additional extraordinary expenses from switching to novel paper packaging.

NET ASSETS AND FINANCIAL SITUATION

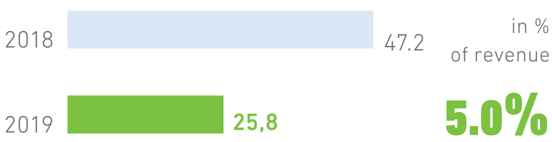
In the 2019 financial year, cash flow from operating activities decreased significantly by EUR 21.4m on the preceding year.

The working capital was further optimised. Capital expenditure declined from EUR 37.3m to EUR 24.3m in the 2019 financial year. In addition to replacement and expansion projects at our production facilities, this item includes the successful roll-out of SAP S/4 HANA.

Capital expenditure (in mEUR)



Cash flow from operating activities (in mEUR)

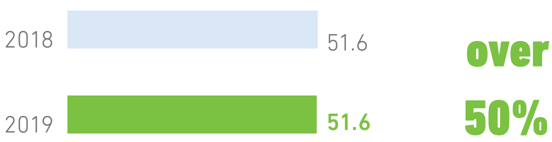


We consider the main reasons for the deterioration in cash flow to be short-term and temporary and therefore decided to utilise an increase in the existing asset-backed security (ABS) programme of EUR 8.7m and short-term money market loans in the amount of EUR 12m for financing.

The first-time application of the new IFRS 16 (Leases) standard led to an increase in total non-current assets and liabilities. Right-of-use assets amounting to kEUR 2,173 were offset at the end of the reporting period (31 December 2019) by lease liabilities with a present value of kEUR 2,178. In contrast to the previous practice of recognising expenses from operating leases in other operating expenses, from the 2019 reporting period these are recognised with EUR 1.1m in depreciation.

The equity ratio remained at a high level similar to the previous year, and is an important benchmark for FRoSTA's economic independence.

Equity ratio



The equity shown in the consolidated balance sheet of FRoSTA AG can be broken down as follows, in each case as at 31 December:

Equity (in mEUR)

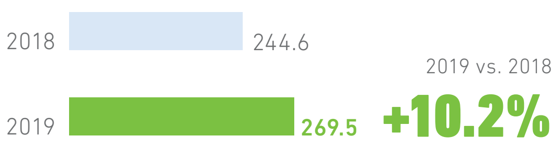
	31.12.2018	31.12.2019
Subscribed capital	17.4	17.4
+ Capital reserves	12.8	12.8
+ Retained earnings / / other reserves	119.2	128.4
+ Profit for the year	20.0	12.6
Equity	**169.5**	**171.2**
Balance sheet total	**328.6**	**332.0**
Equity ratio	**51.6 %**	**51.6 %**

SEGMENT REPORTING

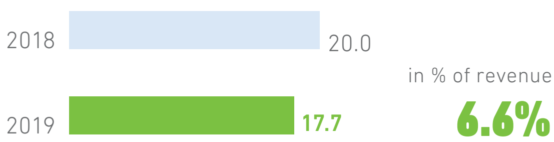
FRoSTA SEGMENT

We structured the FRoSTA operating segment more clearly in the reporting year. It now encompasses brand business as well as the Foodservice and Home Delivery service in Europe. In previous annual reports, parts of the private label business were also included in this business segment. Thanks to new and improved reporting structures this can now be treated separately.

Revenue FRoSTA (in mEUR)



Net profit/loss FRoSTA segment (in mEUR)



Overall, the FRoSTA segment developed positively and, at 10.2%, revenue growth was again higher than average. An important driver of this growth was the German brand business.

In the German core market, the FRoSTA brand increased end-consumer sales in 2019 by as much as 18.5%, thus topping the previous year's growth of 13.4% (source: IRi 2019 und 2018). This is a good result and underscores the fact that our brand again significantly outperformed the frozen food market as a whole in 2019.

FRoSTA extended its market leadership in the stir-fry segment with growth of +23.9 % (source: IRi 2019).

Following the excellent prior-period figures, sales revenues for FRoSTA vegetable mixes again almost achieved double-digit growth of +9.9%. Our international stir-fry vegetables again made a significant contribution to this very positive result (source: IRi 2019).

In the fish segment, our fish fingers in particular recorded further marked increases of over 20%. Our ranges „Backofen Fisch" and „Pfannen Fisch" as well as our „Schlemmerfilet" line also continued to grow strongly. Thanks to the combination of TV and promotion campaigns, this segment once again posted good growth of 14.7% (source: IRi 2019).

In Italy, growth with the FRoSTA brand largely compensated for the decline in the „La Valle degli Orti" brand, but still fell well short of our expectations.

Brand-building activities in other European countries also resulted in growth for the FRoSTA brand. Across all markets in which we are active with the FRoSTA brand, growth stood at 12.2%.

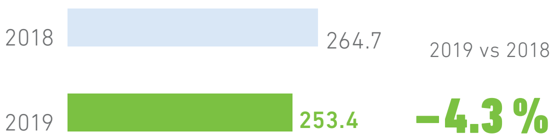
TV and out-of-home advertising campaigns coupled with intensified digital activities again enhanced the visibility of and demand for our brand products. In addition, as in previous years, innovations in all markets played an important role in stimulating demand.

The Foodservice (catering) segment also recorded increased sales revenue in all markets.

COPACK SEGMENT

The COPACK operating segment comprises our private label business sales channels in Europe.

Revenue COPACK (in mEUR)



Net profit/loss COPACK segment (in mEUR)

The delay in translating the unusually sharp cost increases for raw products into higher selling prices to our customers led to substantial losses. In the case of some contracts, we were not always able to match the price expectations of our private label customers and we lost a moderate amount of volume as a result.

PRODUCTION AND TECHNOLOGY

The production volume decreased by 1.0% compared with 2018 due mainly to lost contracts in the private label business.

The personnel situation at our facility in Poland has stabilised very well and the plant succeeded in perceptibly increasing delivery service, quality and efficiency in the reporting year.

The learning curves related to the commissioning of new production lines proved much longer than anticipated and led to additional costs in the course of the year of around EUR 1m. The Production, Technology and Product Development departments worked closely with Marketing and Sales on the changeover to paper packaging and thus made a substantial contribution to shaping the future.

All production facilities are successfully certified in accordance with ISO 50001 (energy management). FRoSTA AG managed to reduce Co_2e emissions in production from 54,361 tonnes to 54,212 tonnes (-0.3%) across all plants (scope 1 – 2) in 2019. Specific CO_2e emissions (CO_2e emissions/kg of finished products) rose on the other hand by 1% due to the drop in production volume. We are holding fast to our goal to lower specific CO_2e emissions compared to 2008 levels by 7.5% by 2022.

A logistics cooperation linked to a new central warehouse concept enabled us to decommission an inefficient refrigerated warehouse at the start of the second half-year 2019. This will have a positive effect on the Company's energy footprint.

Quality and production reliability continue to have the highest priority. Accordingly, our facilities were again certified according to IFS and BRC standards and passed all audits with flying colours.

EMPLOYEES AND ORGANISATION

EMPLOYEE NUMBERS

We again increased the number of our employees in 2019, adding another 74 members of staff to the payroll.

Employees

	2018	2019
FRoSTA head office	**409**	**428**
Administration	245	262
Sales	164	166
FRoSTA production facilities	**1,369**	**1,424**
Bremerhaven	577	582
Bydgoszcz	442	500
Lommatzsch	201	198
Bobenheim-Roxheim	149	144
Group Total	**1,778**	**1,852**

The additional jobs were created primarily in production and administration in Poland. At year's end 2019, the number of employees again declined to 1,796.

Total personnel expenses excluding social security benefits in 2019 increased by 0.9% to a level of EUR 63.3m.

DIVERSITY CONCEPT

Raising the proportion of women in management positions is an issue we take very seriously. In 2019, the proportion of women in first-level management was 22% (2018: 25%) and in second-level management 45% (2018: 44%). Overall, women made up 37% (2018: 37%) of the workforce at FRoSTA. It is worth noting that on our training and management trainee programmes we achieve higher levels of female participation. Over time, this will also raise the proportion of women in senior management positions.

A target of 30% still applies for the participation of women on the Executive Board and the Supervisory Board, which it is aimed to achieve in the future when new appointments are made by election or nomination.

HEALTH MANAGEMENT

Under the motto „Keep fit with FRoSTA" we have established an occupational health management system. In a first step, we analysed the stress situations of our employees at the various production and sales locations. Based on the analysis results, we are currently establishing health management structures across the entire company and introducing preventive measures such as a regular health day, subsidised fitness studio membership, a newsletter and ergonomics advice.

Additionally, we have set up an occupational reintegration management scheme with the aim to ensure the capacity to work and perform their job of employees with long-term illnesses. The idea is to both maintain the existing fitness to work as well as avoid any possible future incapacity to work.

We hope that improving working conditions and quality of life at the workplace will enable us for one to sustainably promote the health and motivation of our employees, and for another to enhance our Company's productivity, product and service quality, along with the ability to innovate.

The openness and participation of our employees in the programme is confirmation of our commitment in the area of occupational health.

EDUCATION AND TRAINING

Again in 2019 we invested continuously in meaningful personnel development measures in all areas. One important aspect of our training portfolio was again a focus on sustainably establishing our shared values and ground rules in the minds of our employees. In addition to this, training measures were in demand and successfully implemented for English, communication skills and project management. With the establishment of English courses in the virtual classroom, we are taking the first steps towards offering more modern and cost-effective e-learning programmes. We are proud that we were again able to maintain the high level of training programmes on offer for our employees in 2019.

EMPLOYEE SHARE PROGRAMME

We offer our employees the opportunity to share in the ownership of FRoSTA AG and in this way allow them to participate in the company's success. In 2019, they again had the option to purchase employee shares at preferential conditions.

A total of 385 buyers (2018: 398) took part in the campaign in 2019 and acquired 18,375 shares between them (2018: 37,320). Employees are offered two options to purchase shares. To motivate as many employees as possible to share in the Company's ownership, the issue price of the first offer (limited to 50 shares) was reduced from EUR 20.50 to EUR 15.00, leading to a slight increase in uptake. The price of the second offer (limited to a maximum of 950 shares depending on seniority) was raised from EUR 41.00 to EUR 45.00, and the purchasing volume declined sharply.

FRoSTA is keen to encourage a high number of employees to participate in the campaign, but has to keep the costs in check. Total costs for the programme amounted to kEUR 746 (2018: kEUR 1,808), which are recognised in personnel expenses.

We are pleased about the nevertheless high uptake and the trust thus placed in the Company, and hope that even more employees will become FRoSTA shareholders in future.

We would like to warmly thank all of our employees and the Works Council for their high level of commitment and enthusiastic dedication during the past year.

SEPARATE FINANCIAL STATEMENTS OF FRoSTA AG

The separate and consolidated financial statements of FRoSTA AG are identical with regard to changes in most balance sheet and income statement items. Any material differences between the financial statements result from consolidation of the subsidiaries and the differences in the financial reporting standards applied. Unlike the consolidated financial statements, which are governed by international IFRS rules, the separate financial statements for FRoSTA AG are prepared in accordance with the provisions of the German Commercial Code (HGB). The higher depreciation/amortisation figures in the IFRS financial statements result from the fact that fixed assets measured in accordance with IFRSs have a higher carrying amount than in the HGB financial statements, and from different depreciation/amortisation rules and useful lives.

Reconciliation of 2019 financial statements

	kEUR
Net income for the year of FRoSTA AG (HGB)	**5,203**
Adjustment to IFRSs:	
Depreciation and amortisation	−2,132
Pallets	1,336
Deferred taxes	-5
Foreign currencies	−10
Other	927
Profit for the year of FRoSTA AG (IFRSs)	**5,319**
Total annual profit/loss of subsidiaries included in the consolidated financial statements	7,559
Effects of consolidating entries accounted for in profit or loss	−285
Profit for the year of FRoSTA Group for 2019	**12,592**

The revenue reported in the separate financial statements of FRoSTA AG increased by 4.9% in the reporting year. Net income for the year and the profit/loss from ordinary operating activities were, by contrast, down on the previous year by EUR 7.0m and EUR 13.5m respectively. This was primarily a consequence – as was also the case for the Group as a whole – of the temporary margin erosion of EUR 8.9m. Additional effects amounting to EUR 3.3m resulted from intercompany transactions, which are eliminated in the consolidation process.

Furthermore, FRoSTA AG posted expenses for advertising and marketing activities for the FRoSTA brand that were EUR 1.4m higher than in the previous year.

Thus, as for the Group as a whole, the net income forecast for the separate financial statements was also not achieved.

The financial position at the balance sheet date continued to be characterised by the measures implemented to optimise working capital. Due to the significant reduction in outstanding receivables, the share of current assets in total assets fell to 55.4% (2018: 57.3%). The carrying amount of tangible assets increased as a result of investing activities to kEUR 88,179 (2018: kEUR 85,940). There was no significant change in the capital structure compared with the previous year. At the reporting date, the share of equity in the balance sheet total amounted to 45.0% (2018: 47.6%).

Cash inflows from ordinary operating activities, cash outflows in connection with investing activities and inflows from financing activities gave rise to an increase in cash and cash equivalents at the balance sheet date.

FRoSTA AG was at all times able to meet its financial obligations.

For all other statements made in the management report, the separate and consolidated financial statements correspond, with the exception of the special characteristics typical of a group. Relating to the disclosures pursuant to Section 289 (4) HGB – where relevant – please refer to the disclosures in the Notes.

APPROPRIATION OF CONSOLIDATED PROFIT

The separate financial statements according to generally accepted accounting standards in Germany remain the basis for determining the dividend amount.

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 shares, less 10,795 treasury shares not entitled to a dividend in accordance with Section 71b of the German Stock Corporation Act (AktG), this results in a total dividend amount of EUR 10.9m.

Consequently, 49.1% of the FRoSTA Group's profit before tax will be distributed as a net dividend and 40.5% paid as taxes, with only 10.4% – in expectation of a significant improvement in profitability in 2020 – being retained by the Company.

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Appropriation of profits 2019

	mEUR	Share
Current company taxes	3.7	
Capital gains tax including solidarity surcharge on dividends	2.9	
Total taxes	**6.6**	**40.5%**
Net dividend	**8.0**	**49.1%**
Retained by the Company	**1.7**	**10.4%**
Consolidated profit before tax	**16.3**	**100.0%**

THE FRoSTA SHARE

Key data of the FRoSTA share

Market segment	Open Market segment of the Frankfurt Stock Exchange
German SIN (WKN)	606900
ISIN	DE0006069008
Nominal share value	EUR 2.56

The FRoSTA share saw the following development in 2019: in December 2018, the share price was at EUR 63.96 and in December 2019 it was at EUR 59.00. Since March 2017, the FRoSTA share has been traded in the Open Market segment of the Frankfurt Stock Exchange.

Key figures for the FRoSTA share

	2018	**2019**
Share capital (mEUR)	17.4	17.4
Number of shares (in thousands)	6,813	6,813
Equity carried in the consolidated balance sheet (mEUR)	169.5	171.2
Equity per share (EUR)	**24.87**	**25.13**
Share price at year-end (EUR)	63.96	59.00
Year high (EUR)	85.00	64.50
Year low (EUR)	59.50	51.50
Trading volume in shares	194,156	562,468
P/E ratio (price at year-end/profit per share)	**21.83**	**31.89**
Dividend (payout per share) EUR proposal	1.60	1.60
Dividend yield (dividend/price at year-end)	**2.5 %**	**2.7 %**
Consolidated profit for the year (mEUR)	20.0	12.6
Net profit for the year per share (EUR)	**2.93**	**1.85**

SUSTAINABILITY, THE ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

Sustainability is and remains an important guiding principle for FRoSTA. Therefore, we prepare a sustainability report every two years which sets out our targets and initiated measures and is published on our website www.frosta-ag.com. The next sustainability report will be published in 2021.

In condensed form, we also report here on the environment (see page 20 (Production)), employees (see page 21), corruption/bribery (see page 27 (Compliance)), human rights (see page 27(Procurement market risks)) and, in the following section, on our social commitment.

Since 2015, we have spent 2% of FRoSTA's dividends from the previous year on social projects in Germany and abroad. We are involved in social projects at our four production sites and in the countries where we source our ingredients. In 2019, we decided to extend a project with the children's aid organisation Plan International in Ecuador for a further two years. The programme is designed to assist and support young people with implementing their own business ideas. Five small start-ups have already been set up in the Cotopaxi region and continue to be supported by FRoSTA.

RISK REPORT

INTERNAL CONTROL SYSTEM

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

The most important internal control variables at FRoSTA AG are revenue growth, profitability, working capital, the capital expenditure ratio and the equity ratio.

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

The internal audits of our quality management officers coupled with internal auditing projects additionally support the compliance or adaptation of our processes.

These regulations also stipulate the material and formal requirements concerning the preparation of the financial statements. Despite the large number of regulations, there is still a possibility of risk, for example as a result of extraordinary or complex transactions.

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

RISK MANAGEMENT SYSTEM

The Group risk management system ensures that risks can be identified and assessed at an early stage and defines clear lines of responsibility for dealing with threatening business situations.

A risk management team composed of members from different departments assesses the risks on an ongoing basis – if necessary drawing on the advice of external consultants – and initiates appropriate countermeasures.

Market-related business risks are naturally borne by the Company itself. These include risks from the development of new products. The Company generally tries as far as possible to transfer any risks not stemming from the Company's core areas of activity, such as currency, liability and property damage risks, to third parties.

Under the guidance of a Compliance Coordinator, we have developed a Code of Conduct for all employees of FRoSTA AG which is aimed at raising awareness among the workforce for how they interact with one another, their conduct towards third parties and when handling data. This Code of Conduct will be distributed to all employees in the first quarter of 2020. Furthermore, from the beginning of 2020, face-to-face compliance training will be carried out in the particularly sensitive areas of Purchasing and Sales. In the context of establishing a compliance organisation, all FRoSTA AG locations will be analysed for risks of corruption in 2020.

In addition to insurance protection, we continuously endeavour to counter cyber risks with the help of modern firewall architecture as well as regular internal and external audits and penetration tests.

The risk management system at FRoSTA AG is the subject of a continuous improvement process.

RISKS & OPPORTUNITIES

PROCUREMENT MARKET

The production of frozen food involves the use of a wide range of raw materials, the procurement of which can be subject to considerable fluctuation. By cooperating with strategic suppliers we smooth out these fluctuations and avoid dependencies. Different geographical locations ensure that our own vegetable production supply is also largely secured against the effects of inclement local weather conditions that can lead to poor harvests. The same applies to supplies of raw fish products, where increased demand and dwindling fish stocks can result in supply bottlenecks. In any case, considerable price fluctuations for raw materials may still occur and, depending on the competitive situation, we cannot always pass these on directly to the customers. This situation presents risks and opportunities. However, price agreements with customers with a term of more than six months increase our risk/opportunity as we are not normally able to procure sufficient supplies of raw material to cover such a long period. As far as possible, we therefore try to avoid contractual or delivery agreements with our customers which go beyond this period. Another option is to include price escalator clauses for certain raw materials when negotiating selling prices and thus considerably smooth the risks and opportunities in procurement. However, for competitive reasons it is not always possible to negotiate these elements.

The quality of the raw materials is monitored by audits at our suppliers' facilities and by checking goods as they arrive at our plants. Quality checks, however, cannot guarantee the absolute safety of raw materials since the detection thresholds for contaminants are becoming ever lower and the checks are only carried out on a random basis.

We purchase raw materials from over 30 different countries, including the BSCI risk countries Brazil, China, Ecuador, Guatemala, India, Mexico, Peru, Vietnam, Indonesia, Thailand and Turkey. We thus bear our share of responsibility for the working conditions at our suppliers, as well as for the respect for human rights. Our Code of Conduct, which every supplier must sign, regulates working conditions and insists on compliance with those conditions. It is also required for suppliers from BSCI risk countries and checked by means of social audits. No breaches of our Code of Conduct became known in 2019. In order to minimise the risk of noncompliance, we intend to increase the number of internal, unannounced audits by 20% in 2020.

CURRENCY SITUATION

FRoSTA purchases most of its raw materials from international markets. Most of these goods are invoiced in US dollars. We make use of the usual options and futures trading instruments available on the market to hedge exchange rate fluctuations.

The way these currency hedging instruments are dealt with is precisely stipulated by a set of procedural regulations, and financial controlling instruments are employed to ensure that these are adhered to. In general, a deterioration of the EUR/USD exchange rate results in higher prices for goods purchased – and vice versa.

The hedging of exchange rate risks can only compensate to a limited extent for a continually rising US dollar. Opportunities may derive from falling US dollar exchange rates.

As part of the risk management process, procurement market and currency risks as the risks with the highest exposure rate for FRoSTA are monitored most closely.

SALES MARKET

The increasing concentration of trade is leading to risks arising from the potential loss of bulk contracts. Our broad customer structure is based on our own brands and private labels, as well as supplying home delivery services, bulk and industrial customers, all of which protects us against excessive fluctuations in individual market segments. Our contracts with our customers normally include items and prices but do not guarantee fixed volumes; this means that FRoSTA carries the risk or opportunity of fluctuating sales to end customers.

The risk of losing outstanding receivables is limited by credit risk insurances with the usual deductibles, 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 including distribution and/or production partners where appropriate. We have attempted to limit the concrete risk posed by Brexit by agreeing on future terms and conditions with our customers from an early date.

The frozen food market is subject to constant change. Our competitors might respond to product trends more quickly or gain technological leads. In close cooperation with our Product Development department, 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 Command and an innovative portfolio.

FINANCING

Our financing is dependent on loans. By exercising alternative forms of financing such as selling receivables through asset-backed securities, but also by maintaining an adequate equity base, we aim to reduce our dependence on borrowing and to meet increasingly strict requirements from the capital market. In doing so, we are exposed to interest rate risk on the capital market. By using non-current loans and interest-rate hedging, we can limit the interest rate risk.

LEGAL RISKS

There are no legal risks.

REPORT ON POST-BALANCE-SHEET DATE EVENTS

There have been no events after the reporting date which would have any bearing on the financial year under review.

BRANCH OFFICE REPORT

FRoSTA AG has the following branch offices:

- F. Schottke, Bremerhaven, Germany
- Elbtal Tiefkühlkost, Lommatzsch, Germany
- Rheintal Tiefkühlkost, Bobenheim-Roxheim, Germany

FORECAST

Based on the long-term Euromonitor forecast, the frozen food market is projected to show revenue growth of around 1.1% in our core markets in the period from 2020 to 2022.

Against this background, we also anticipate a positive revenue and earnings development, with net profit for the year in the region of 4% of revenue.

We will continue to enhance service and quality and focus on relevant innovations in order to further grow our business.

We will also keep a very close eye on our raw materials markets to enable us to respond promptly to cost increases with justifiable cost controls and price increases.

In January 2020, we reported a drop in revenue of 1.8% compared with the previous year. While the FRoSTA segment grew by 1.2%, the COPACK segment posted a decline of 5.9%.

For the new financial year, we believe we are well-positioned and will continue to develop FRoSTA AG as an independent partner for our customers, suppliers and employees.

Bremerhaven, February 2020

The Executive Board

ANNUAL FINANCIAL STATEMENTS OF THE FRoSTA GROUP

"Let's be honest.

Herbs now in a more sustainable packaging."

CONSOLIDATED BALANCE SHEET OF FRoSTA AG IN ACCORDANCE WITH IFRSs — ASSETS

AS AT 31 DECEMBER 2019

Consolidated balance sheet of FRoSTA AG in accordance with IFRSs — Assets (in kEUR)

		Note	2018	2019	Change
A.	**Non-current assets**				
I.	Intangible assets	6, 8, 24	9,935	12,234	23.1%
II.	Property, plant and equipment	7, 8, 25	122,963	126,421	2.8%
III.	Financial assets	9, 26	125	165	32.0%
IV.	Deferred tax assets	16, 47	2,063	2,789	35.2%
			135,086	**141,609**	4.8%
B.	**Current assets**				
I.	Inventories	10, 27	89,065	88,729	-0.4%
II.	Receivables and other assets	11			
	1. Trade receivables	28	82,199	75,038	-8.7%
	2. Receivables from affiliated companies		1	1	0.0%
	3. Other assets				
	Financial assets	29	9,297	5,878	-36.8%
	Miscellaneous other assets	29	659	719	9.1%
	4. Tax receivables		1,275	5,319	0.0%
III.	Cash and cash equivalents	12, 48	11,045	14,666	32.8%
			193,541	**190,350**	**-1.6%**
	Balance sheet total		**328,627**	**331,959**	**1.0%**

CONSOLIDATED BALANCE SHEET OF FRoSTA AG IN ACCORDANCE WITH IFRSs — EQUITY AND LIABILITIES

AS AT 31 DECEMBER 2019

Consolidated balance sheet of FRoSTA AG in accordance with IFRSs — Equity and Liabilities (in kEUR)

		Note	2018	2019	Change
A.	**Equity**	**30**			
I.	Subscribed capital	31			
	Nominal amount		17,440	17,440	0.0 %
	Treasury shares		-2	-27	
			17,438	**17,413**	-0.1%
II.	Capital reserves	32	12,815	12,815	0.0%
III.	Retained earnings	33	97,539	98,319	0.8%
IV.	Other reserves	34	-991	-454	-54.2%
V.	Equity earned by the Group (without retained earnings)	33	42,655	43,104	1.1%
			169,456	**171,197**	1.0%
B.	**Non-current liabilities**				
I.	Provisions for pensions and similar obligations	13, 36	1,069	758	-29.1%
II.	Other non-current provisions	37	2,628	2,917	11.0%
III.	Non-current financial liabilities to banks	38	23,704	16,830	-29.0%
IV.	Deferred tax liabilities	16, 47	1,983	2,655	33.9%
			29,384	**23,160**	-21.2%
C.	**Current liabilities**				
I.	Current provisions	37	312	767	>100.0%
II.	Current financial liabilities to banks	38	18,509	38,868	>100.0%
III.	Trade payables	38	92,646	84,104	-9.2%
IV.	Other current liabilities	38			
	Financial liabilities	38	2,702	2,464	-8.8%
	Miscellaneous other liabilities	38	11,749	9,080	-22.7%
V.	Tax liabilities		3,869	2,319	-40.1%
			129,787	**137,602**	**6.0%**
Balance sheet total			**328,627**	**331,959**	**1.0%**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF FRoSTA AG IN ACCORDANCE WITH IFRSs

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

Consolidated statement of profit or loss of FRoSTA AG in accordance with IFRSs (in kEUR)

		Note	2018	2019	Impact on profit/loss
1.	Revenue	40	509,284	522,937	2.7%
2.	Reduction/increase in inventories of finished goods and work in progress		-5,613	1,432	> 100.0 %
3.	Other own work capitalised		1	56	> 100.0 %
4.	Other income	41	9,314	7,396	-20.6%
5.	**Total operating revenue**		**512,986**	**531,821**	3.7%
6.	Cost of materials				
	a) Cost of raw materials, consumables and supplies		-289,439	-315,467	-9.0%
	b) Cost of purchased services		-10,834	-11,567	-6.8%
			-300,273	**-327,034**	-8.9%
7.	Personnel expenses	42			
	a) Wages and salaries		-62,684	-63,267	-0.9%
	b) Social security, post-employment and other employee benefit costs – of which post-employment benefits: kEUR 71 (2018: kEUR 41)		-11,591	-12,455	-7.5%
			-74,275	**-75,722**	-1.9%
8.	Amortisation and depreciation of intangible assets and property, plant and equipment	43	-16,538	-18,752	-13.4%
9.	Other expenses	44	-91,861	-94,130	-2.5%
10.	**Operating profit (EBIT)**		**30,039**	**16,183**	-46.1%
11.	Income from long-term equity investments		49	566	> 100.0%
12.	Other interest and similar income	45	55	180	> 100.0%
13.	Interest and similar expenses – of which financial expenses: kEUR 569 (2018: kEUR 784)	45	-792	-635	19.8%
14.	**Net finance costs**		**-688**	**111**	> 100.0%
15.	**Profit/loss from ordinary operating activities**		**29,351**	**16,294**	-44.5%
16.	Current taxes on income	46	-9,850	-3,747	62.0%
17.	Deferred taxes	46, 47	482	45	-90.7%
18.	**Consolidated profit/loss for the year**		**19.983**	**12,592**	**-37.0%**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF FRoSTA AG IN ACCORDANCE WITH IFRSs

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

Consolidated statement of comprehensive income of FRoSTA AG in accordance with IFRSs (in kEUR)

	Note	2018	2019	Impact on profit/loss
1. Consolidated profit/loss for the year	48	19,983	12,592	-37.0% %
2. Other comprehensive income				
a) Items that will not be reclassified to profit or loss				
Actuarial gains or losses – Income taxes relating to these gains and losses kEUR -2 (2018: kEUR -13)		–43	–5	-88.4%
b) Items that have been or may subsequently be reclassified to profit or loss				
Gains and losses on the translation of annual financial statements of foreign subsidiaries		-1,451	543	> 100.0 %
3. Comprehensive income		**18,489**	**13,130**	**-29.0%**
Allocation of comprehensive income to shareholders of the parent		18,489	13,130	-29.0%
Non-controlling interests		0	0	
		18,489	**13,130**	**-29.0%**
Earnings per share (basic/diluted)	**48**	**2.93**	**1.85**	**-37.0%**

CONSOLIDATED STATEMENT OF CASH FLOWS OF FRoSTA AG

Consolidated statement of cash flows (in kEUR)

	2018	**2019**
Consolidated profit before tax	29,351	16,294
Depreciation and amortisation of non-current assets	16,538	18,752
Interest income	-55	-180
Interest expense	792	635
Increase/decrease in non-current provisions	205	-21
Gains/losses on disposal of non-current assets	-260	-24
Other non-cash income and expenses	-8,384	2,060
Interest paid	-506	-524
Interest received	4	119
Income taxes paid	-11,308	-11,878
Income taxes received	-	2,561
Decrease/increase in current provisions	-780	456
Increase/decrease in other assets not attributable to investing or financing activities	-2,349	3.420
Increase/decrease in other liabilities not attributable to investing or financing activities	5,822	-7,339
Cash flow before change in working capital	**29,070**	**24,331**
Decrease in inventories and trade receivables	1,384	7,497
Increase/decrease in trade payables	16,766	-5,980
Change in working capital	**18,150**	**1,517**
Cash flow from operating activities	**47,220**	**25,848**
Proceeds from disposal of non-current assets	16	31
Proceeds from the disposal of non-current financial assets	-	-
Capital expenditure on property, plant and equipment	-35,448	-22,284
Capital expenditure on intangible assets	-1,877	-1,992
Capital expenditure on non-current financial assets	-	-40
Cash flow from investing activities	**-37,309**	**-24,285**
Payments to acquire treasury shares	-3,367	-1,789
Proceeds from disposal of treasury shares	3,307	1,224
Dividends to shareholders	-10,876	-10,885
Proceeds from obtaining bank loans	5,150	-
Repayments of bank loans	-7,502	-7,258
Increase in other financial liabilities	-	20,743
Cash flow from financing activities	**-13,288**	**2,035**
Effect of translation differences on cash and cash equivalents	-156	23
Net change in cash and cash equivalents	-3,377	3,598
Cash and cash equivalents at beginning of period	14,578	11,045
Cash and cash equivalents at end of period	**11,045**	**14,666**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF FRoSTA AG

AS AT 31 DECEMBER 2019

Consolidated statement of changes in equity

				Other retained earnings			
	Subscribed capital	Capital reserves	Retained earnings	Actuarial gains/losses	Adjustment item from foreign currency translation	Group equity (without retained earnings)	Equity
As at 1 January 2018	**17,440**	**12,815**	**89,520**	**-105**	**609**	**41,625**	**161,903**
Dividends paid						-10,876	-10,876
Acquisition of treasury shares	-106		-3,261				-3,367
Employee share programme	104		3,203				3,307
Appropriation to retained earnings			8,078			-8,078	0
Currency translation differences					-1,451		-1,451
Impact on income				-43			-43
Consolidated profit/ loss for the year						20,044	20,044
As at 31 December 2018	**17,438**	**12,815**	**97,540**	**-148**	**-842**	**42,716**	**169,518**
As at 1 January 2019	**17,438**	**12,815**	**97,540**	**-148**	**-842**	**42,716**	**169,518**
Dividends paid						-10,885	-10,885
Acquisition of treasury shares	-77		-1,712				-1,789
Employee share programme	52		1,172				1,224
Appropriation to retained earnings			1,319			-1,319	0
Currency translation differences					543		543
Impact on profit/ loss				–5			-5
Consolidated profit/ loss for the year						12,592	12,592
As at 31 December 2019	**17,413**	**12,815**	**98,319**	**–154**	**-300**	**43,104**	**171,197**

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS 2018/2019

Consolidated statement of changes in non-current assets 2018 (in kEUR)

	Purchase and production costs					
	as at 1/1/2018	Currency translation differences	Additions	Disposals	Reclassifications	as at 31/12/2018
I. Intangible assets						
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	**23,590**	**-7**	**1,877**	**47**	**57**	**25,470**
II. Property, plant and equipment						
1. Land, land rights and buildings	92,923	-485	5,696	0	1,107	99,241
2. Plant and machinery	179,647	-809	18,184	1,584	5,666	201,104
3. Other operating and office equipment	55,936	-74	6,309	1,455	497	61,213
4. Prepayments and assets under construction	7,515	-104	5,259	0	-7,327	5,343
	336,021	**-1,472**	**35,448**	**3,039**	**-57**	**366,901**
III. Non-current financial assets						
1. Financial assets	**536**	**0**	**0**	**0**	**0**	**536**
	360,147	**-1,479**	**37,325**	**3,086**	**0**	**392,907**

Consolidated statement of changes in non-current assets 2019 (in kEUR)

	Purchase and production costs					
	as at 1/1/2019	Currency translation differences	Additions	Disposals	Reclassifications	as at 31/12/2019
I. Intangible assets						
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	**25,470**	**2**	**1,992**	**0**	**1,451**	**28,915**
II. Property, plant and equipment						
1. Land, land rights and buildings	99,241	161	3,048	49	528	102,929
2. Plant and machinery	201,104	300	9,973	2,824	2,762	211,315
3. Other operating and office equipment	61,213	27	6,699	1,402	363	66,900
4. Prepayments and assets under construction	5,343	5	2,564	0	-5,104	2,808
	366,901	**493**	**22,284**	**4,275**	**-1,451**	**383,952**
III. Non-current financial assets						
1. Financial assets	**536**	**0**	**40**	**0**	**0**	**576**
	392,907	**495**	**24,316**	**4,275**	**0**	**413,443**

Accumulated depreciation, amortisation and impairment					Net carrying amount	
as at 01/01/2018	Currency translation differences	Additions	Dispo-sals	as at 31/12/2018	as at 31/12/2018	as at 31/12/2017
14,822	**-3**	**763**	**47**	**15,535**	**9,935**	**8,768**
57,191	-120	2,686	0	59,757	39,484	35,732
131,656	-434	9,218	1,336	139,104	62,000	47,991
42,666	-32	3,871	1,428	45,077	16,136	13,270
0	0	0	0	0	5,343	7,515
231,513	**-586**	**15,775**	**2,764**	**243,938**	**122,963**	**104,508**
411	**0**	**0**	**0**	**411**	**125**	**125**
246,746	**-589**	**16,538**	**2,811**	**259,884**	**133,023**	**113,401**

Accumulated depreciation, amortisation and impairment					Net carrying amount	
as at 01/01/2019	Currency translation differences	Additions	Dispo-sals	as at 31/12/2019	as at 31/12/2019	as at 31/12/2018
15,535	**1**	**1,145**	**0**	**16,681**	**12,234**	**9,935**
59,757	44	3,038	30	62,809	40,120	39,484
139,104	150	9,537	2,816	145,975	65,340	62,000
45,077	22	5,032	1,384	48,747	18,153	16,136
0	0	0	0	0	2,808	5,343
243,938	**216**	**17,607**	**4,230**	**257,531**	**126,421**	**122,963**
411	**0**	**0**	**0**	**411**	**165**	**125**
259,884	**217**	**18,752**	**4,230**	**274,623**	**138,820**	**133,023**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2019 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. FRoSTA AG's Executive Board released the consolidated financial statements on 24 February 2020 for presentation to the Supervisory Board. It is the task of the Supervisory Board to examine the consolidated financial statements and to state whether it approves them.

(1) ACCOUNTING POLICIES AND PRINCIPLES

FRoSTA AG's consolidated financial statements as at 31 December 2019 have been prepared in compliance with the International Accounting Standards Board's (IASB) financial reporting standards – the International Accounting Standards (IASs) and the International Financial Reporting Standards (IFRSs) – as applicable and binding within the European Union.

In doing so, all IASs or IFRSs to be applied as at 31 December 2019 and the appropriate interpretations provided by the Standing Interpretations Committee (SIC) or the International Financial Reporting Interpretations Committee (IFRIC) were complied with. The requirements of the aforementioned regulations were met without exception so that FRoSTA AG's consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations as well as the cash flows of the 2019 financial year.

The conditions laid down in Section 315a of the German Commercial Code (HGB) on the exemption from preparing consolidated financial statements according to German accounting standards have been fulfilled. In order to ensure equivalence with consolidated financial statements prepared in accordance with German commercial law (HGB), all statutory obligations pertaining to disclosure and explanatory notes above and beyond the IASB regulations, in particular preparing a combined Company and Group management report, have been fulfilled.

The consolidated financial statements have been prepared under the assumption that the company will continue as a going concern. Comparative figures from 2018 are stated for all line items of the financial statements.

The 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 statement of other comprehensive income is presented using the total cost (nature of expense) format. Under this method, the expenses incurred in the financial year are broken down according to their nature, and the expenses capitalised under inventories, intangible assets and property, plant and equipment are presented separately as changes in inventories or own work capitalised.

Comparisons are made based on the reference date of 31 December 2018.

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

CONSOLIDATION

(2) CONSOLIDATION PRINCIPLES

All significant German and foreign subsidiaries over whose financial and business policies FRoSTA AG has direct or indirect powers of control are included in the FRoSTA Group's consolidated financial statements. These entities' financial statements are drawn up according to uniform accounting principles.

The subsidiaries are accounted for using acquisition accounting in accordance with IFRS 3. Under this method, the carrying amounts of the equity investments are eliminated against the proportionate equity of the subsidiaries attributable to the parent on the basis of the carrying amounts at the time of acquisition of the shares (acquisition method). In doing so, equity must be determined according to the revaluation method. As a matter of principle, IFRS 3 must be adopted retrospectively for all business combinations that occurred before the date of initial application (31 December 2005).

For all business combinations that occurred before the transition date (1 January 2004), FRoSTA AG takes advantage of the following exemptions under IFRS 1:

- IFRS 3 is not applied retrospectively for business combinations that occurred before the transition date (1 January 2004).
- This means that the method of consolidation previously applied is retained.

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

(3) GROUP REPORTING ENTITY

Fully consolidated subsidiaries

Name of entity	Registered seat of entity	Percentage of capital held in 2018 in %	Percentage of capital held in 2019 in %
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 impact on the Group's net assets, financial position and results of operations is not material:

Companies not included in the consolidated financial statements

Name of entity	Registered seat of entity	Percentage of capital held in 2018 (%)	Percentage of capital held in 2019 (%)	Equity (kEUR)	Annual profit/loss 2019 (kEUR)
FRoSTA Romania S.R.L.	Bucharest/Romania	100.00	100.00	[3]	[3]
NORDSTERN America Inc.	Seattle/USA	100.00	100.00	[1]	[1]
OOO FRoSTA	Moscow/Russia	100.00	100.00	-211	-75
FRoSTA Hungary Kft.	Esztergom/Hungary	100.00	100.00	79	8
Copack Sp. z o.o.	Bydgoszcz/Poland	100.00	100.00	1	0
Columbus Spedition GmbH	Bremerhaven	33.33	33.33	423[2]	[3]

1 inactive entity, no data available
[2] relates to 2018
[3] no data available yet

(4) TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

The consolidated financial statements are prepared in euros, the functional and 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 exchange rate on the date the transaction occurred. 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 recognised outside profit or loss as an adjustment item from currency translation.

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

Development of the exchange rates of the most important currencies

	Average rate		Closing rate	
	2018	2019	2018	2019
Polish zloty	4.2453	4.2980	4.2981	4.2597
Czech koruna	25.646	25.671	25.724	25.407

ACCOUNTING POLICIES AND MEASUREMENT METHODS

RECOGNITION OF INCOME AND EXPENSES, REVENUE FROM CONTRACTS WITH CUSTOMERS (5)

Only product sales resulting from ordinary operating activities are disclosed as revenue. FRoSTA recognises 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, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured.

FRoSTA exclusively recognises revenue from fixed-price contracts with customers at a point in time when control of the goods or services passes to the customer.

FRoSTA generally makes use of the practical expedients in IFRS 15, under which outstanding performance obligations under contracts originally expected to have a term of one year or less and revenue recognised in accordance with the amount billed are exempt from the obligation to disclose unfulfilled or partially fulfilled performance obligations.

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.

Interest is recognised as an expense or as income at the time it is incurred.

Dividends are recognised at the time they are paid out.

(6) INTANGIBLE ASSETS

Externally acquired intangible assets are carried at the lower of amortised cost or their net recoverable amount.

Intangible assets that have a determinable useful life are amortised on a straight-line basis over their expected useful lives as follows, starting from the date on which they are made available:

Amortisation period of intangible assets

	Useful life in years
Software	4
Licences	4

Intangible assets with an indefinite useful life are carried at the lower of cost or their net recoverable amount.

PROPERTY, PLANT AND EQUIPMENT (7)

Items of property, plant and equipment are carried at their purchase or production cost and depreciated on a straight-line basis according to their expected useful life. If the net recoverable amount is lower, property, plant and equipment is depreciated to this amount.

Costs of self-constructed items of property, plant and equipment include all direct costs and all overheads that are incurred as a result of the production process.

Purchase or production costs include 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 in the manner intended by management, as well as the estimated cost of dismantling and removing the item and restoring the site on which it is located to its original state.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the purchase or production cost of the qualifying asset.

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 purchase or production costs. 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. Costs incurred for repairs of items of property, plant and equipment are always expensed. They are only capitalised if the costs result in an enhancement or significant improvement of the asset. The assets to be capitalised are subject to separate analyses for the purposes of measuring depreciation expense if significant cost components have different economic lives.

Capitalised assets are depreciated using the straight-line method over their useful lives.

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

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	12–15
Plant and machinery	7–15
IT equipment	3 – 7
Other operating and office equipment	5–13

(8) IMPAIRMENT LOSSES ON INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND FINANCIAL ASSETS

FRoSTA AG examines the carrying amounts of non-current assets to assess the need to recognise impairment losses as soon as events occur or circumstances change implying that permanent impairment has occurred ("impairment testing").

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

An impairment loss is recognised when the expected proceeds from a sale (recoverable amount) are lower than the asset's respective carrying amount. The recoverable amount is the higher of the net realisable value and the value in use of the asset. The net realisable value corresponds to the amount obtainable from the sale of the asset in an arm's length transaction. The value in use is determined on the basis of the expected future cash flow from the use of the asset based on the discounted cash flow method. Impairment losses are recognised directly in profit or loss.

If it is not possible to determine the recoverable amount for individual assets, the cash flow for the next higher group of assets for which this type of cash flow can be established is determined. At FRoSTA AG these are the production lines. The cash flow forecast of these cash-generating units is based on the detailed financial budget for the next year and the three-year financial planning strategy. If the reasons for impairment no longer apply, the impairment loss is reversed, whereby the maximum amount of any reversal may not exceed the amount that would have been recognised as the amortised cost.

In the course of the financial year, the Group carried out impairment testing for the recoverable amount of the trademark rights acquired in the financial year 2017. The assets in question are assigned to the Group's brand business operating segment. The impairment test did not lead to any impairment losses. The recoverable amount of these assets was calculated on the basis of their value in use, applying a discount rate of 7.5% p.a. (2018: 7.5% p.a.).

Assumptions underlying the calculation of the value in use, as well as the fair value less costs to sell (using the discounted cash flow (DCF) method), of the trademark rights are subject to estimation uncertainties, in particular with respect to gross profit margins, the discounting factor (interest rate), the development of raw material prices during the reporting period and the growth rate that is used to extrapolate the cash flow projections outside the budget period.

The volume and revenue growth is based on the marketing and sales plan for the subsequent years. This provides the basis for the 2020 forecast and the product and marketing activities for 2021–2023, including a review of the main product range and the competitive advantages brought by improved packaging.

The contribution margin reflects the product portfolio and market conditions, as well as the previous year's weighted average calculations. The development of raw material prices is based on the current forecast. Should the delivery situation for raw materials lead to further price increases, we will be forced to pass these on to our customers.

The Group's management holds the view that, based on reasonable judgement, no fundamentally possible changes to the underlying assumptions used to determine the value in use of the trademark rights would result in the carrying amounts of those trademark rights significantly exceeding their recoverable amount.

(9) FINANCIAL ASSETS

Financial assets comprise cash and cash equivalents, trade receivables, other receivables, equity instruments held in other entities, as well as derivative financial assets.

Financial assets are recognised as soon as FRoSTA AG becomes a party to the contractual provisions governing the financial instrument in question. For purchases or sales transacted on an arm's length basis, the fulfilment date, i.e. the date on which the asset is delivered to or by FRoSTA AG, is relevant for initial recognition or derecognition of the asset.

Available-for-sale financial assets are measured upon initial recognition at fair value. The fair values recognised in the balance sheet generally correspond to the market prices of the respective financial instruments. If these prices are not available, fair value measurement relies on standard valuation models using relevant market parameters.

Financial assets and financial liabilities are not usually offset; they are only netted if FRoSTA AG has a current right to offset the respective amounts and intends to settle on a net basis.

Cash and cash equivalents comprise current accounts and short-term deposits with banks.

Trade receivables and other receivables are initially recognised at the transaction price.

Derivative financial assets that are not integrated into an effective hedging relationship are measured at fair value through profit or loss.

Equity instruments held comprise investments.

FRoSTA did not exercise the option of designating financial instruments upon initial recognition as measured at fair value through profit or loss.

Historical default probabilities are in principle used to determine the level of expected future impairment losses. Impairments take account of expected future default risks. Defaults lead to the derecognition of the receivables in question. In the context of specific loss allowances, financial assets are grouped on the basis of similar default risk characteristics and jointly tested for impairment and written down.

INVENTORIES (10)

Inventories are measured at their purchase or production cost. Purchase costs of raw materials and consumables as well as merchandise are determined using the weighted average cost formula and result from the purchasing prices plus incidental costs. Apart from direct material, machine and labour costs, production costs include material and production overheads directly attributable to the production process, including appropriate depreciation of manufacturing assets assuming normal capacity utilisation. Borrowing costs are not included in the measurement of inventories, but are recognised as an expense in the period in which they are incurred.

Write-downs for inventory risks are undertaken to an appropriate and adequate extent. If necessary, inventories are measured at the lower net realisable value. The net realisable value is the estimated selling price achievable in the course of ordinary business less the estimated manufacturing and selling costs.

Should the reasons that have led to an impairment of the inventories no longer apply, an appropriate reversal of the impairment loss is recognised.

(11) RECEIVABLES AND OTHER ASSETS

Trade receivables and other assets are initially measured and carried at fair value plus transaction costs and subsequently at amortised cost. The fair value (transaction price) is calculated based on quoted prices in active markets for identical assets (Level 1). The sales market is used as the active market for assets. If not covered by insurance, default risks are taken into account by recognising adequate allowances for impairment losses.

At FRoSTA, the provisions of IFRS 9 relate to the accounting treatment of trade receivables. Under IFRS 9, expected future credit losses are used for calculating the amount of these allowances (expected loss model). Current expected credit losses are determined on the basis of the expected credit losses over the life of the financial asset. FRoSTA assesses customer credit risks individually on an ongoing basis. Impairment losses on trade receivables are partly recognised using allowance accounts. The decision as to whether to account for a default risk using an allowance account or through a direct impairment of the receivable depends on the reliability of the assessment of the risk situation.

(12) CASH AND CASH EQUIVALENTS

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

PROVISIONS FOR PENSIONS (13)

Provisions for pension obligations are determined in accordance with IAS 19 using the projected unit credit method, taking into account future payment and pension adjustments. Pension obligations are measured based on expert pension reports. The present value of the defined benefit obligations is determined by discounting the estimated future payments of the current benefits. The interest rate is based here on prime fixed-interest corporate bonds of a comparable term on the reporting date. The currency and maturity of the bonds should be in the same currency and have the same term as the vested pension claims.

Service costs are recognised under personnel expenses. The interest included in the pension expenses is recognised under interest expense. Actuarial gains and losses are recognised in other reserves. A pension fund does not exist.

OTHER PROVISIONS (14)

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. The provisions are recognised in accordance with IAS 37 with the expected settlement amount.

Jubilee benefits and partial retirement obligations are part of the long-term employee benefits. Provisions for jubilee benefits are measured in accordance with IAS 19 using the projected unit credit method. Each year the present value of the rights obtained on the reporting date must be recognised as a provision. Provisions for partial retirement benefits must also be made at their present value. Existing plan assets are to be set off against provisions for partial retirement, with the plan assets to be measured at fair value.

Non-current provisions are measured with their settlement amount on the basis of applicable market rates, discounted to the end of the reporting period.

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.

(15) LIABILITIES

Liabilities are initially measured and recognised at fair value plus transaction costs, and subsequently at amortised cost. The fair value (transaction price) is calculated based on quoted prices in active markets for identical liabilities (Level 1). The procurement market is used as the active market for liabilities. There is no default risk arising from liabilities.

Liabilities in foreign currencies are translated at closing rates. Hedged items in foreign currencies are also measured at the closing rate.

(16) DEFERRED TAXES

Under IAS 12 (Income Taxes), deferred tax assets and liabilities are recognised for all temporary differences in assets and liabilities between tax accounts and the annual financial statements prepared in accordance with generally accepted accounting principles, and for the future use of tax loss carry forwards. The calculation is made on the basis of the future tax rates applicable at the end of the reporting period. Deferred tax assets are only recognised to the extent that it is likely that these can be used against future taxable income.

No tax items entailing a risk exist. Tax receivables comprise refund claims arising from tax reassessments. Tax provisions relate to preliminary results of tax audits.

DERIVATIVE FINANCIAL INSTRUMENTS (17)

CURRENCY FORWARDS, OPTIONS CONTRACTS AND INTEREST RATE SWAPS

Currency forwards and option contracts as well as interest rate swaps and caps can be used as derivative financial instruments. 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.

In currency forwards, a fixed amount of US dollars is bought on an agreed date at an agreed exchange rate. This reduces the Company's risk of having to use a less favourable exchange rate which would make the purchase of raw materials in US dollars more expensive. On the other hand, currency forwards do not allow for currency translation at a more favourable rate should the market develop more positively for the buyer.

In forward options, the Company is guaranteed the right to purchase a fixed amount of US dollars on an agreed date at an agreed exchange rate. If, after completion of the contract, the market exchange rate develops unfavourably for the Company, it can buy the agreed amount of US dollars at the agreed exchange rate. If the exchange rate develops more positively, there is no obligation to exercise the option and the US dollar amounts required can be purchased on the market at a more favourable rate. By means of forward options, FRoSTA can lower the risk of rising US dollar prices without foregoing the opportunities offered by lower dollar prices. However, for this flexibility charges are incurred which become payable on conclusion of the forward option contract.

Interest hedging instruments are used as required to secure medium- and long-term variable financing.

In the case of an interest-rate swap contract, the Company pays the bank a fixed interest rate on a fixed amount at regular intervals over an agreed period. Each time the interest payment is due, the bank offers a variable rate (based, for example, on the Euribor) for the fixed amount. No matter how the market develops within the agreed period, it cannot be less favourable for the Company than the original fixed interest rate.

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 standalone derivatives, i.e. all realised and unrealised gains and losses resulting from the development of the fair values are immediately recognised in profit or loss.

(18) **Scope and fair values of the derivatives (in kEUR)**

		31.12.2018		31.12.2019	
Financial instrument	**Type**	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Currency forwards	Purchase kUSD	20,055	55	36,714	-659
Currency swaps	Purchase kUSD	1,034	1	0	0
Interest rate swaps	Loan kEUR	0	0	0	0

The nominal amount of a derivative hedging transaction is the index from which the payments are derived. The object of the hedge and the source of risk is not the absolute nominal value, but the price movements in relation to that reference value.

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 transaction at the time of acquisition only concerns financial instruments on an arm's length basis, the fair value is established on the basis of market quotations. Hedge accounting is not applied.

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

Due dates for the interest hedging instruments (in kEUR)

	31.12.2018	31.12.2019
Within one year	0	0
Between one and five years	0	0
Over five years	0	0
Total	**0**	**0**

(19) EMPLOYEE SHARE PROGRAMME

Every year, FRoSTA AG employees can purchase a limited amount of shares at a fixed preferential price. The vesting date is the same as the purchase date.

There are two different purchasing prices per share. The retention period for both is four years, during which the securities may not be sold.

Employees must opt to take up the offer within one month.

(20) FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial instruments are determined based on appropriate market values (Level 1). Cash and cash equivalents and other current primary financial instruments correspond to the fair values of the carrying amounts on the respective reporting dates.

For non-current provisions and liabilities, the fair value is determined based on the cash flows to be expected by using the benchmark interest rates valid at the end of the reporting period. The derivative financial instruments are established based on existing forward exchange rates and benchmark interest rates at the end of the reporting period.

The following table shows the allocation of financial instruments to the balance sheet line items:

Balance sheet item (in kEUR)

	Carrying amount	Fair value
Receivables and other assets	86,955	86,955
Cash	14,666	14,666
Non-current liabilities	23,161	23,290
Current liabilities	137,601	137,601

USE OF ESTIMATES (21)

Preparing the IFRS consolidated financial statements requires estimates and assumptions which affect the identification of assets and liabilities, the disclosure of contingent liabilities at the end of the reporting period and the presentation of income and expenses.

Significant estimates and assumptions have in particular been made with regard to establishing depreciable lives, the actuarial parameters in assessing pensions, jubilee and partial retirement provisions and the ability to realise deferred tax assets. The actual amounts may differ from the amounts produced by estimates and assumptions. Changes are recognised in profit or loss when more accurate figures are available.

(22) LEASES

IFRS 16

The amount equal to the lease liability at its initial recognition is the basis for measuring the cost of the right-of-use asset, which is disclosed as a separate line item in the balance sheet of the FRoSTA Group. The cost of the right-of-use asset also comprises any initial direct costs incurred by the lessee and estimated costs to be incurred by the lessee for dismantling, removing and restoring the underlying asset, unless those costs relate to an item of property, plant and equipment. Advance lease payments made increase and any lease incentives received reduce the initial recognition amount. FRoSTA AG carries all right-of-use assets at amortised cost. They are depreciated on a straight-line basis over the lease term or the useful life of the identified asset, whichever is shorter, when events occur or circumstances change implying that impairment has occurred

When concluding lease agreements, the FRoSTA Group ensures operational flexibility through extension and termination options. Under IFRS 16, the expected term of the lease is critical to the accounting treatment of leases. In determining the lease term, the management considers all facts and circumstances that create an economic incentive for the lessee to exercise existing options. The estimated lease term therefore also includes periods covered by an option to extend if the lessee is reasonably certain to exercise that option. Revisions to original estimates of the term of a lease resulting from reassessments as to the probability of a lessee exercising existing options result in remeasurement of the carrying amount of leased assets and liabilities.

FRoSTA AG acts as lessee especially in the areas of vehicle fleet, industrial trucks and copiers. Extension and termination options are included in particular in property leases in order to maximise operational flexibility. Such options are considered in determining the lease term where it can be predicted with reasonable certainty that those options will be exercised. Vehicle fleet lease contracts have a fixed term. All significant future cash outflows to which FRoSTA AG is potentially exposed are therefore reflected in the measurement of lease liabilities and, correspondingly, of right-of-use assets. Variable lease payments are incurred only to an insignificant extent; also the FRoSTA Group does not provide any residual value guarantees. Neither is the Group exposed to cash outflows from significant leasing agreements not yet commenced to which FRoSTA AG as lessee is already committed. The existing financial liabilities do not include any covenants linked to financial ratios. Thus, there are no quantitative impacts on the Group's balance sheet total from applying the right-of-use model for lease accounting.

The following amounts were incurred for leasing activities of the FRoSTA Group in the reporting period:

Nature of charge	**in kEUR**
Depreciation charge for right-of-use asset by class of underlying asset	1,108
- of which property - of which operating and office equipment	155 953
Interest expense on lease liabilities	64
Short-term lease expenses	374
Low-value asset lease expenses	31
Variable lease expenses not included in the measurement of lease liabilities	0
Income from the subleasing of right-of-use assets	0
Total cash outflows for leases	1,756
Additions to right-of-use assets	569
Gains or losses arising from sale or leaseback transactions	0
Carrying amount of right-of-use assets after depreciation, impairment losses, reversals of impairment losses, as well as after revaluations and adjustments	2,173

Right-of-use assets amounting to kEUR 2,173 were offset at the end of the reporting period (31 December 2019) by lease liabilities with a present value of kEUR 2,178. The current portion of lease liabilities amounted to kEUR 1,158.

The payment obligations have the following due date structure:

FRoSTA AG as lessee – payment obligations (in kEUR)

	Minimum lease payments		**Interest included**		**Present values**	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**
Due within 1 year	1,014	1,158	52	64	962	1,095
Due between 1 and 2 years	913	907	43	47	870	860
Due between 2 and 3 years	559	612	25	27	534	585
Due between 3 and 4 years	298	422	15	13	284	409
Due between 4 and 5 years	225	271	9	4	216	267
Due after more than 5 years	204	0	4	0	201	0
Total	**3,213**	**3,370**	**148**	**155**	**3,067**	**3,216**

Intra-Group leases are presented in segment reporting as current expenses in line with the internal control system.

The new rules for accounting for leases under IFRS 16 do not result in any material changes for the FRoSTA Group as lessee compared with the previous presentation. Once a lease is identified, it is classified as either an operating or finance lease depending on the distribution of opportunities and risks. An exception applies to the classification of subleases in the future. Here, the classification of the sublease is determined with reference to the intermediate lessor's right-of-use asset from the head lease, and no longer with reference to the entire underlying asset. The FRoSTA Group continues to record leases classified as operating leases as assets, and recognises the lease payments as other operating income on a systematic basis over the lease term. For finance leases, the underlying asset is derecognised and a receivable equal to the net investment in the lease is recorded. Payments made by the lessee are divided into interest and repayment of lease liabilities using the effective interest method.

The FRoSTA Group applied the amended standard for the first time as of the effective date of 1 January 2019 using the modified retrospective approach. For the transition to IFRS 16, FRoSTA avails itself of the following practical remedies for lessees:

- A single discount rate was applied to a portfolio of leases with similar characteristics.
- Individual right-of-use assets are not tested for impairment. Instead, upon adoption the right-of-use asset is reduced by the amount recognised as a provision for onerous leases at 31 December 2019.
- At the time of initial application, FRoSTA does not reassess existing lease contracts using criteria in IFRS 16 as to whether they meet the definition of a lease within IFRS 16. Rather, the Company continues to follow the guidance on the evaluation of a contract to determine whether it contains a lease previously found in IAS 17 and IFRIC 4.

Based on the financial obligations arising from operating leases at 31 December 2019, the reconciliation to the opening carrying amount of lease liabilities as at 1 January 2019 was as follows:

Opening carrying amount of lease liabilities (in kEUR)	**01.01.2019**
Financial obligations arising from operating leases at 31 December 2018	3,809
- Practical remedies for short-term leases	-400
- Practical remedies for low-value asset leases	-63
+/- Changes due to redefinition of leases	
+/- Changes arising from extension and termination options	-478
+/- Adjustments resulting from index and rate changes for variable payments	0
+ Non-lease components resulting from the use of practical remedy in accordance	0
with IFRS 16.15	0
+/- Other	0
= Gross lease liability from former operating leases at 1 January 2019	2,868
- Effects from discounting	-155
= Lease liability from former operating leases at 1 January 2019	2,713
+ Present value of liabilities from finance leases at 31 December 2018	0
= Total lease liabilities at 1 January 2019	**2,713**

Lease liabilities were discounted using the weighted average incremental borrowing rate of 2.5% at 1 January 2019.

(23) APPLICATION OF ADDITIONAL IASs AND IFRSs

NEW STANDARDS AND INTERPRETATIONS NOT PREVIOUSLY APPLIED

The following IFRSs adopted by the EU were issued before 31 December 2019 but are only mandatory for subsequent reporting periods and FRoSTA has not exercised the option of earlier application.

AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARDS

Amendments relate to references to the revised Conceptual Framework (version of 2018) included in IFRS standards.

AMENDMENTS TO IAS 1 AND IAS 8

The amendment contains a clarification of the definition of materiality of information in the context of financial statements. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7

The amendments to the standards relate to interest rate benchmark reform.

All standards/amendments referred to are to be applied retrospectively for the first time for financial years beginning on or after 1 January 2020. The impact on the financial statements of these new or amended standards cannot yet be reliably estimated.

The following IFRSs, IFRICs or amendments were published by the IASB before 31 December 2019, but have not yet been adopted by the EU and were not applied early by FRoSTA:

- IFRS 17 Insurance Contracts
- Amendment to IFRS 3 Business Combinations: Definition of a Business

The impact on the financial statements of these new or amended standards, which have not yet been adopted into EU law, cannot yet be reliably estimated.

NOTES TO THE CONSOLIDATED BALANCE SHEET

INTANGIBLE ASSETS (24)

The development of the individual items of intangible assets is shown in the consolidated statement of changes in non-current assets (appendix to the notes). The share of foreign subsidiaries in the net carrying amount as per 31 December 2019 amounted to kEUR 815 (2018: kEUR 900).

In the FRoSTA Group, development costs have not been capitalised, as their future economic use cannot be reliably determined as long as the products have not been launched on the market. The expenses for product development for the financial year 2019 amounted to kEUR 1,668 (2018: kEUR 1,714).

The carrying amounts of brands are tested for impairment using the fair-value-less-cost-to-sell approach based on future estimated cash flows. The assumptions underlying the planning parameters reflect past experience, based on a planning horizon of five years. The calculated cash flows are discounted using a weighted average cost of capital of 7.5%. As a result of the impairment tests, sufficient buffers to cover losses were identified, so that – as in the previous year – there was no reason to recognise impairment losses on intangible assets with indefinite useful lives. In addition, there are no legal, regulatory or competitive factors limiting the use of the trademark rights.

(25) PROPERTY, PLANT AND EQUIPMENT

As regards the development of property, plant and equipment, please see the consolidated statement of changes in non-current assets. The share of property, plant and equipment located abroad, primarily in Poland, in the net carrying amount as at 31 December 2019 amounted to kEUR 33,099 (2018: kEUR 31,954). Investment grants and subsidies received in the financial year reduced procurement costs by kEUR 2,272 (2018: kEUR 2,621). Based on current earnings forecasts no impairment losses were recognised in the reporting year. In the reporting year no borrowing costs were capitalised pursuant to IAS 23.

(26) FINANCIAL ASSETS

The non-consolidated equity investments in subsidiaries are measured at amortised cost at the end of the reporting period.

(27) INVENTORIES

Inventories (in kEUR)

	31.12.2018	31.12.2019
Raw materials, consumables and supplies	41,715	38,865
Unfinished goods	16,966	16,559
Finished goods and merchandise	29,799	33,305
Prepayments	585	0
Inventories	**89,065**	**88,729**

Where necessary, the lower net realisable value was recognised, taking into account selling and production costs still to be incurred. The carrying amount of inventories recognised at the lower net realisable value amounted to kEUR 241 in 2019. The impairments of inventories shown in expenses amount to kEUR 487 (2018: kEUR 212).

TRADE RECEIVABLES (28)

Trade receivables (in kEUR)

	31.12.2018	31.12.2019
Trade receivables, gross	83,019	75,786
Allowances for impairment losses	–820	–748
Trade receivables	**82,199**	**75,038**

Allowances for impairment losses (in kEUR)

	2018	2019
Opening balance of allowances for impairment losses as at 1 January	**479**	**820**
Exchange rate differences	–1	-0
Additions	342	143
Utilisation	0	215
Reversals	0	0
End balance of allowances for impairment losses as at 31 December	**820**	**748**

The net expense for the full derecognition of receivables based on payment defaults amounted to kEUR 14 (2018: kEUR 23).

Risks included in the trade receivables (in kEUR)

	31.12.2018	31.12.2019
Receivables neither past due nor impaired	**75,718**	**69,506**
Receivables past due, but not impaired		
Less than 30 days	4,767	3,190
30 to 60 days	818	580
More than 60 days	896	1,762
Total receivables past due	**6,481**	**5,532**
Carrying amount (net)	**82,199**	**75,038**

Receivables sold in asset-backed securities transactions (ABS) amounted to kEUR 25,023. According to the structure of the contract, ownership of the receivables is retained by FRoSTA. Liabilities resulting from the advance financing of receivables collection are recognised under liabilities to banks.

In asset-backed securities transactions, receivables are sold to a special-purpose entity in the financial sector, which then offers the receivables on the capital market. The price paid for the receivables is based on the receivables' nominal value less the expected deductions. At the same time, a variable interest rate based on current rates for current loans is payable until collection. FRoSTA AG collects the receivables as a service provider for the special-purpose entity. There is a risk that the receivables cannot be placed on the capital market. However, the special-purpose entity does commit itself to the purchase of the receivables for a one-year period.

(29) OTHER ASSETS

Other assets (in kEUR)

	31.12.2018	31.12.2019
Creditors with debit balances	249	390
Receivables from employees	40	24
VAT and consumer tax	6,878	3,173
Other financial assets	2,130	2,290
Financial assets	**9,297**	**5,877**
Prepaid expenses	659	720
Non-financial assets	**659**	**720**
Other assets	**9,956**	**6,597**

No counterparty credit risks have been identified for other assets.

EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

An excess of plan assets over pension liability amounting to kEUR 97 (2018: kEUR 40) is shown under other assets. These assets relate to reinsurance policies. The asset value of the reinsurance policies is netted against the settlement amount of partial retirement obligations.

Reinsurance policies (in kEUR)

	31.12.2018	31.12.2019
Fair value of invested assets	394	436
Costs of invested assets	392	431

For further details, please refer to item 37.

EQUITY (30)

Capital management covers the Group equity reported in the consolidated balance sheet.

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

The minimum capital requirements have been met.

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

SUBSCRIBED CAPITAL (31)

Subscribed capital amounts to kEUR 17,440. Based on 6,812,598 shares, each share has an arithmetical value of EUR 2.56.

The number of shares in circulation decreased by 9,832 compared to the previous year's reporting date.

A total of 10,795 (2018: 963) FRoSTA AG no-par value bearer shares held as treasury shares with a nominal value of kEUR 28 or 0.16% of the share capital were netted against equity. The purchase cost amount of kEUR 609 exceeding the nominal value was reported as a reduction of revenue reserves. 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 kEUR 1,000 for the issuing of shares to employees of FRoSTA AG and its affiliated companies, as well as authorised capital of kEUR 5,000, for a fixed period until 20 July 2023, for a capital increase from cash contributions.

(32) CAPITAL RESERVES

Capital reserves include premiums from issuing shares and personnel expenses from the employee share programme.

(33) RETAINED EARNINGS AND EQUITY GENERATED BY THE GROUP (WITHOUT RETAINED EARNINGS)

Retained earnings include profits generated in past periods by companies included in the consolidated financial statements, to the extent that they were not distributed.

Equity generated by the Group includes profits earned in the current period of the companies included in the consolidated financial statements, unless they have been allocated to reserves.

In accordance with the German Stock Corporation Act (AktG), the dividend to be paid out to the shareholders is measured on the basis of the net retained profits shown in FRoSTA AG's annual financial statements. As at 31 December 2019, these came to kEUR 10,883 (2018: kEUR 12,205).

The Annual General Meeting on 10 May 2019 passed a resolution to pay out a dividend of EUR 1.60 per share (totalling a dividend sum of kEUR 10,885) from the net retained profits of FRoSTA AG as at 31 December 2018.

FRoSTA AG's Executive Board proposes a dividend of EUR 1.60 per share for 2019 subject to the approval of the Annual General Meeting.

OTHER RESERVES (34)

Other reserves comprise the differences arising from currency translation at subsidiaries that report in a currency different from that of the parent company. The measurement difference is mainly the result of the equity investment in FRoSTA Sp. z o.o., Bydgoszcz/Poland, whose annual financial statements are prepared in Polish zloty. The adjustment from currency translation amounted to kEUR –300 at the end of the reporting period (2018: kEUR –843). As at 31 December 2019, other reserves also included actuarial losses totalling kEUR 153 (2018: kEUR 148).

EMPLOYEE SHARE PROGRAMME (35)

FRoSTA AG has offered its employees the opportunity of purchasing FRoSTA shares at a preferential price. There are two options on offer with different issue prices with a limited purchasing opportunity for each employee.

Employee share programme: share purchases made

	2018	2019
Option I		
Number of shares	15,910	16,317
Issue price (EUR)	20.50	15.00
Average stock exchange price (EUR)	80.70	58.96
Difference (EUR)	60.20	43.96
Value (kEUR)	**958**	**717**
Option II		
Number of shares	21,410	2,058
Issue price (EUR)	41.00	45.00
Average stock exchange price (EUR)	80.70	58.96
Difference (EUR)	39.70	13.96
Value (kEUR)	**850**	**29**
Total (kEUR)	**1,808**	**746**

The difference between the market value of the FRoSTA share and the reduced price paid by employees is reported under personnel expenses.

SHARE-BASED PAYMENTS

The Company has introduced a bonus scheme for employees at management level in the parent company as well as at its subsidiaries. This scheme provides for payment in the form of Company shares. The number of shares to be transferred is determined according to a defined-benefit formula which rewards staff based on corporate and personal target achievement as well as other qualitative and quantitative criteria.

Share-based payments

	2018	2019
Shares issued for the previous financial year	3,375	1,793

(36) PENSION OBLIGATIONS

Provisions for pensions are recognised for liabilities from future pensions and current payments based on individual commitments to former and current employees of the FRoSTA Group and their surviving dependents.

The Group pension schemes are all defined benefit plans.

The calculation of pension obligations for the defined benefit plan is made in accordance with IAS 19 on an actuarial basis.

Parameters used for calculation of pension provisions

	2018	2019
Assumed interest rate	2.05 %	1.19 %
Salary trend	2.00 %	2.00 %
Pension trend	2.30 %	1.10 %

The actuarial assumptions regarding life expectancy are based on the "Richttafeln 2018 G" mortality tables by Dr Klaus Heubeck.

Pension costs (in kEUR)

	2018	2019
Other pension expenses/ income	76	-263
Personnel expenses/ income	**76**	**-263**
Zinsaufwand	9	2
Pension expenses/income	**85**	**-261**

Net obligation recognised in the balance sheet (in kEUR)

	2018	2019
Provisions as at 1 January	**1,006**	**1,069**
Pension expenses/income	85	-261
Payments to pensioners	– 65	– 55
Actuarial losses (+) / gains (–)	43	5
Provisions as at 31 December	**1,069**	**758**

The number of beneficiaries receiving pension payments was 11.

The employer contributions to the pension scheme qualify as expenses relating to defined contribution plans and amounted to kEUR 4,341 in 2019 (2018: kEUR 4,153).

(37) OTHER PROVISIONS

Other provisions (in kEUR)

	As at 01.01.2019	Utilisation	Reversal	Addition	As at 31.12.2019
Jubilee payments	2,561	285	0	579	2,855
Other non-current provisions	**2,561**	**285**	**0**	**579**	**2,855**
Severance payments	148	142	6	647	647
Impending losses	164	164	0	120	120
Other current provisions	**312**	**306**	**6**	**767**	**767**
Other provisions	**2,873**	**591**	**6**	**1,346**	**3,622**

Partial retirement – plan assets (in kEUR)

	As at 01.01.2019	Utilisation	Reversal	Addition	As at 31.12.2019
Partial retirement	421	165	16	161	401
Plan assets	394	112	0	154	436

Provisions for partial retirement obligations are covered by reinsurance policies against insolvency. Since these insurances are classified as plan assets, they are netted out against the provisions for partial retirement. As the plan assets are assigned on the basis of individual partial retirement obligations, the principle of item-by-item measurement resulted in a provision for partial retirement obligations of kEUR 62 (2018: kEUR 68) as well as an excess of assets of kEUR 97 (2018: kEUR 40).

For further details, please refer to note 29.

(38) LIABILITIES

Liabilities (in kEUR)

	Total amount	of which due within		
		up to 1 year	more than 1 year	more than 5 years
Liabilities to banks	55,698	38,868	16,830	2,021
(previous year)	(42,213)	(18,509)	(23,704)	(4,059)
Trade payables	84,104	84,104	0	0
(previous year)	(92,646)	(92,646)	(0)	(0)
Other liabilities	11,544	11,544	0	0
(previous year)	(14,451)	(14,451)	(0)	(0)

The liabilities to banks are guaranteed by mortgages amounting to kEUR 6,852 (2018: kEUR 8,866) and similar rights amounting to kEUR 389 (2018: kEUR 611). The customary retentions of title apply to trade payables.

Liabilities to banks (in kEUR)

	Position	31.12.2018	31.12.2019
Non-current loans	**1**	**30,577**	**23,704**
– of which current due within 1 year	2	6,873	6,873
Current loans	3	385	12,000
Other financial liabilities	4	11,251	19,995
Current liabilities to banks	**5 = (2+3+4)**	**18,509**	**38,868**
Liabilities to banks	**6 = (1+3+4)**	**42,213**	**55,698**

Receivables sold in asset-backed securities (ABS) transactions amounted to kEUR 25,023 as at 31 December 2019. After deducting a discount of kEUR 5,028, an amount of kEUR 19,995 was included in other financial liabilities.

One of the financing agreements made with credit institutes includes a financial covenant. These are prescribed key balance sheet figures with minimum values which must be adhered to. Failing this, the loan commitment can be withdrawn.

Loans payable

31.12.2018 kEUR	31.12.2019 kEUR	Interest rate in %	Due date
385	0	3.40	30.09.2019
611	389	3.00	30.09.2021
2,406	1,531	1.05	30.09.2021
2,063	1,313	0.95	30.09.2021
1,343	959	2.65	30.06.2022
934	667	3.05	30.06.2022
5,250	3,750	0.82	30.06.2022
750	550	0.62	30.09.2022
1,898	1,476	2.05	30.06.2023
4,935	4,077	0.55	30.09.2024
6,081	5,242	0.81	30.03.2026
4,306	3,750	0.85	30.09.2026
30,962	**23,704**		

(39) **Other current liabilities (in kEUR)**

	31.12.2018	31.12.2019
Collection commissions	2,000	1,286
Debtors with credit balances	316	503
Miscellaneous other financial liabilities	386	675
Financial liabilities	**2,702**	**2,464**
Liabilities to employees	4,638	2,898
Social security contributions	570	608
Taxes	772	779
Deferred income	5,769	4,800
Non-financial liabilities	**11,749**	**9,080**
Other liabilities	**14,451**	**11,544**

Liabilities to employees include outstanding bonus, wage and salary payments.

Deferred income includes both employee claims for leave and non-working shifts not yet taken as well as other liabilities.

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REVENUE (40)

Revenue concerns the sale of goods and is measured at the fair value of the consideration received or receivable.

Revenue by region (in kEUR)

	2018	2019
Germany	278,592	299,480
Outside Germany	230,692	223,457
Revenue	**509,284**	**522,937**

Revenue by product groups (in kEUR)

	2018	2019
Fish	225,225	237,357
Fruit and vegetables	140,328	136,631
Ready meals and other products	143,731	148,949
Revenue	**509,284**	**522,937**

OTHER INCOME (41)

Other income (in kEUR)

	2018	2019
Currency translation gains	3,072	2,670
Income from the derecognition of prepaid expenses and deferred income	3,399	1,667
Income from credit notes for prior periods and from the derecognition of liabilities	138	609
Other operating income	2,705	2,450
Other income	**9,314**	**7,396**

(42) PERSONNEL EXPENSES

Personnel expenses (in kEUR)

	2018	2019
Wages and salaries	60,877	62,521
Social security contributions	11,593	12,384
Post-employment benefit costs	-2	71
Costs of share-based payments	1,807	746
Personnel expenses	**74,275**	**75,722**

The interest component included in personnel expenses is shown in net finance costs/income.

Number of employees (annual average)

	2018	2019
Wage earners	1,211	1,259
Salaried staff	535	562
Number of employees pursuant to Section 314 (1) No. 4 HGB	**1,746**	**1,821**
Apprentices	32	31
Number of employees	**1,778**	**1,852**

(43) AMORTISATION AND DEPRECIATION

Amortisation and depreciation (in kEUR)

	2018	2019
Amortisation of intangible assets	763	1,145
Depreciation of property, plant and equipment	15,775	17,607
Amortisation and depreciation	**16,538**	**18,752**

(44) OTHER EXPENSES

Other expenses (in kEUR)

	2018	2019
Storage and transport costs	23,830	24,305
External personnel costs	14,777	14,947
Marketing costs	18,622	19,855
Rent and cold-storage expenses	9,321	11,675
Maintenance	6,213	5,656
Currency losses	3,069	2,650
Fees, contributions and insurance	3,831	3,943
Miscellaneous other expenses	12,198	11,099
Other expenses	**91,861**	**94,130**

Miscellaneous other expenses includes severance payments amounting to kEUR 722 (2018: kEUR 254) as well as topping-up payments for the early retirement scheme amounting to kEUR 161 (2018: kEUR 212).

NET COME FROM INVESTMENTS

Net income from investments amounting to kEUR 566 (2018: kEUR 49) comprised income from the investment in Columbus Spedition totalling kEUR 66 and proceeds from the liquidation of FRoSTA Italia Srl of kEUR 500.

(45) INTEREST INCOME/EXPENSE

Interest income/expense (in kEUR)

	2018	2019
Interest income on bank balances	3	0
Interest income from loans	0	0
Interest income from a reduction in provisions for anticipated losses from interest rate swaps	0	0
Other interest income	52	180
Interest income	**55**	**180**
Interest expense for liabilities to banks	-405	-393
Interest expense from interest rate swaps	0	0
Interest expense for provisions for pensions and partial retirement schemes	-8	-2
ABS	-91	-132
Interest expense from tax liabilities	-288	-14
Other interest expenses	0	-94
Interest and similar expenses	**-792**	**-635**
Interest income/expense	**-737**	**-455**

(46) 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)

	2018	2019
Deferred taxes Germany	6,425	1,809
Current foreign taxes	2,487	2,698
Current taxes for the financial year	**8,912**	**4,507**
Taxes for prior periods	938	-760
Taxes on income	**9,850**	**3,747**
Deferred taxes Germany	-553	5
Deferred foreign taxes	71	-50
Deferred taxes	**-482**	**-45**
Tax expense reported in the statement of profit or loss and other comprehensive income	**9,368**	**3,702**

The expected expense for taxes on income, which would have arisen by applying the tax rate of the controlling Group parent FRoSTA AG of 30.66% (2018: 30.66%) to the IFRS consolidated pre-tax profit, can be reconciled as follows to taxes on income as reported in the statement of profit or loss and other comprehensive income:

Tax expense reconciliation (in kEUR)

	2018	2019
Earnings before taxes on income	**29,351**	**16,291**
Tax rate of FRoSTA AG	30.66%	30.66%
Expected tax expense	**8,999**	**4,996**
Different tax rates (especially for deferred taxes)	-1,003	-766
Taxes on income for prior periods	938	-761
Tax expense for non-deductible operating expenses	469	271
Tax relief from tax-exempted income	-35	-38
Tax expense reported in the statement of profit or loss and other comprehensive income	**9,368**	**3,702**

For corporations based in Germany, 15% is paid for corporation tax and 5.5% for solidarity surcharge due on corporation tax. In addition, these corporations are liable to trade tax with the level depending on a community-based taxation scale.

(47) **Deferred tax assets and liabilities (in kEUR)**

	31.12.2018		31.12.2019	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	4	139	6	174
Property, plant and equipment	292	1,659	308	2,103
Financial assets	632	0	632	0
Inventories	0	148	4	132
Trade receivables	8	32	7	84
Other assets	12	3	70	2
Pension provisions	203	0	202	0
Other provisions	448	0	487	0
Trade payables	44	0	674	0
Other liabilities	440	2	399	160
Total	**2,083**	**1,983**	**2,789**	**2,655**
Netting	-1,013	-1,013	-1,680	-1,680
Balance	**1,070**	**970**	**1,109**	**975**

(48) EARNINGS PER SHARE

Earnings per share

		2018	2019
Consolidated profit for the year	**kEUR**	**19,983**	**12,592**
Number of ordinary shares in circulation	in 1,000	6,812	6,802
Consolidated profit for the year per share	**EUR**	**2.93**	**1.85**

The EUR 1.85 (2018: EUR 2.93) figure is recognised in respect of both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(49) COMPOSITION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents is made up of cash in hand and credit at banks in the amount of kEUR 14,666 (2018: kEUR 11,045).

(50) SEGMENT REPORTING

For more information on segment reporting as presented below, please refer to the combined management report.

Due to the amendments to IFRS 8.23 in the version of April 2009, we are now required to align our segment reporting with the internal management and reporting structures ("management approach"). We manage FRoSTA AG in two separate sales units. Firstly, there is the FRoSTA operating segment, which includes the brand business, Foodservice and home delivery service in Europe; and secondly, there is the Copack operating segment, which is responsible for the private label business in Europe.

Management only considers the reported earnings of the segments. Segment reporting does not give consideration to assets or liabilities. The presentation of segment reporting corresponds to the structure of internal reporting. The effects of consolidation have been included proportionately. However, they are of no significance overall.

Segment reporting (in mEUR)

	FRoSTA segment			COPACK segment			Total		
	2018	2019	+/–	2018	2019	+/–	2018	2019	+/–
Revenue	**244.6**	**269.5**	**10.2 %**	**264.7**	**253.4**	**–4.3 %**	**509.3**	**522.9**	**2.7%**
Gross profit	**111.2**	**114.5**	**3.0 %**	**101.5**	**90.3**	**–11.1 %**	**212.7**	**204.8**	**-3.7 %**
in % of revenue	45.5 %	42.5 %		38.4 %	35.6 %		41.8 %	39.2 %	
Personnel expenses	–34.2	–37.5	9.8 %	–40.1	–38.2	–4.7 %	–74.3	–75.7	1.9 %
Amortisation and depreciation	–6.9	–8.1	16.4 %	–9.6	–10.7	11.2 %	–16.5	–18.8	13.4 %
Other operating expenses	–40.5	–46.1	13.8 %	–51.3	–48.0	-6.4 %	–91.9	–94.1	2.5%
EBIT	**29.6**	**22.8**	**–22.8 %**	**0.5**	**-6.6**	**> -100.0 %**	**30.0**	**16.2**	**–46.1 %**
in % of revenue	12.1 %	8.5%		0.2 %	-2.6 %		5.9 %	3.1 %	
Net finance costs	–0.3	0.0	> -100.0 %	–0.4	0.1	> -100.0 %	–0.7	0.1	> -100.0 %
Profit/loss from ordinary operating activities	**29.3**	**22.9**	**–21.8 %**	**0.1**	**-6.6**	**> -100.0 %**	**29.3**	**16.3**	**–44.4 %**
Taxes	–9.3	–5.2	–44.1 %	0.0	1.5	> - 100.0 %	–9.3	–3.7	–60.2 %
Consolidated profit for the year	**20.0**	**17.7**	**– 11.5 %**	**0.0**	**-5.1**	**> - 100.0%**	**20.0**	**12.6**	**–37.1 %**
in % of revenue	8.2 %	6.6 %		0.0 %	-2.0 %		3.9 %	2.4 %	

Segment reporting (in mEUR)

	Germany			Outside Germany			Total		
	2018	2019	+/–	2018	2019	+/–	2018	2019	+/–
Revenue	**285.2**	**299.8**	**5.1 %**	**224.1**	**223.1**	**-0.4 %**	**509.3**	**522.9**	**2.7 %**
Gross profit	**116.1**	**117.1**	**0.9 %**	**96.7**	**87.7**	**-9.2 %**	**212.7**	**204.8**	**-3.7 %**
in % of revenue	40.7 %	39.0 %		43.1 %	39.3 %		41.8 %	39.2 %	
Personnel expenses	–42.4	–43.6	2.9 %	–31.9	–32.1	0.6 %	–74.3	–75.7	1.9 %
Amortisation and depreciation	–9.8	–11.3	15.0 %	–6.8	–7.5	11.0 %	–16.5	–18.8	13.4 %
Other operating expenses	–47.0	–51.6	9.8%	–44.9	–42.6	-5.2 %	–91.9	–94.1	2.5 %
EBIT	**16.9**	**10.6**	**–37.2 %**	**13.1**	**5.6**	**–57.6 %**	**30.0**	**16.2**	**–46.1%**
in % of revenue	5.9%	3.5 %		5.9 %	2.5 %		5.9 %	3.1 %	
Net finance costs	–0.4	0.1	> -100.0 %	–0.3	0.0	> -100.0 %	–0.7	0.1	> -100.0 %
Profit/loss from ordinary operating activities	**16.5**	**10.7**	**–35.2 %**	**12.8**	**5.6**	**–56.3 %**	**29.3**	**16.3**	**–44.4 %**
Taxes	–5.2	–2.4	–53.6 %	–4.1	–1.3	–68.7 %	–9.3	–3.7	–60.2%
Consolidated profit for the year	**11.2**	**8.3**	**–26.6 %**	**8.8**	**4.3**	**–50.5 %**	**20.0**	**12.6**	**–37.1 %**
in % of revenue	3.9 %	2.8 %		3.9 %	1.9 %		3.9 %	2.4 %	

In the financial year 2019, one customer contributed more than 10% to Group revenue with revenue of kEUR 70,007 (2018: kEUR 64,846) in the FRoSTA and COPACK segments.

OTHER DISCLOSURES

(51) Primary financial instruments

Primary financial instruments (in kEUR)

	31.12.2018		31.12.2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities to banks	42,213	42,294	55,698	55,827
Other financial liabilities	2,702	2,702	2,463	2,463

Liabilities to banks include loans. The estimated fair value of loans is determined using the present value, which is calculated on the basis of the current interest rate. For the other financial liabilities, the carrying amounts are identical to their fair values.

(52) CONTINGENT LIABILITIES

The FRoSTA Group believes there are no significant contingent liabilities.

(53) OTHER FINANCIAL OBLIGATIONS

Other financial obligations (in kEUR)

	2018	2019
Obligations arising from current lease agreements	2,755	2,333
Obligations under current rental and maintenance contracts	3,517	3,772
Purchase commitments from expansion investments	6,688	3,075
Consignment agreements	2,432	1,867
Other financial obligations	**15,392**	**11,027**

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 existence of a lease agreement is verified on submission of the agreement or an invoice.

The obligations under current rental contracts concerned rent for office space, software and communications systems.

Remaining maturities of rental, maintenance and lease agreements as at 31 December 2019 (in kEUR)

	< 1 year	1 – 5 years	> 5 years
Future payments from current lease agreements	946	1,387	0
Future payments from current rental and maintenance contracts	2,944	823	5
Total	**3,890**	**2,210**	**5**

Total expenditure from rental and lease agreements amounted to kEUR 4,357 (2018: kEUR 4,382).

AUDITORS' FEES (54)

Auditors' fees (in kEUR)

Auditing services	76
Other assurance services	11
Total	**87**

(55) RELATED PARTIES

EXECUTIVE BOARD

The following persons were members of the Executive Board of FRoSTA AG in the financial year 2019:

- Felix Ahlers, businessman, Hamburg, Chairman as at 31 December 2019: 2,290,480 FRoSTA shares = 33.6%.
- Maik Busse, businessman, Bremerhaven, Vice President Business Partnering and Administration
- Hinnerk Ehlers, businessman, Hamburg, Vice President Marketing, Sales and Human Resources
- Jürgen Marggraf, businessman, Bremen, Vice President Operations, Vice Chairman (until 31 March 2019)

The total number of FRoSTA shares owned by the Executive Board members as at 31 December 2019 was 2,300,652 shares = 33.8%.

SUPERVISORY BOARD

The following persons were members of the Supervisory Board of FRoSTA AG in the financial year 2019:

- Dirk Ahlers, businessman, Hamburg, Chairman of the Supervisory Board as at 31 December 2019: 681,159 FRoSTA shares = 10.0%
- Volker Kuhn, businessman, Geneva, Vice Chairman of the Supervisory Board
- Jürgen Schimmelpfennig, Chairman of the Works Council of FRoSTA AG, Bremerhaven (until 21 May 2019)
- Torsten Richter, employee of FRoSTA AG, Lommatzsch (since 22 May 2019)

The total number of FRoSTA AG shares owned by the Supervisory Board as at 31 December 2019 was 681,159 shares = 10.0%.

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OTHER

All business relations with related parties were transacted on an arm's length basis. All business relations are outlined in the following.

In 2019, Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co. KG, Hamburg, a company of which Dirk Ahlers is Managing Partner, invoiced kEUR 33 (2018: kEUR 87).

Charges to Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co. KG, Hamburg, in the amount of kEUR 77 (2018: kEUR 89).

In a licence agreement dated 12 February 2019, FRoSTA AG granted Lenox Handels- und Speditionsgesellschaft mbH & Co. KG, Hamburg, use of the rights over the "Solino" brand. The rights were transferred by way of an unpaid surrender.

Deliveries of goods from Bulgaria Foods Ltd., a wholly-owned shareholding of Kommanditgesellschaft Lenox Handels- und Speditionsgesellschaft mbH & Co. KG, Hamburg, a company of which Dirk Ahlers is Managing Partner, amounting to kEUR 404 (2018: kEUR 171).

Deliveries of goods to Bulgaria Foods Ltd. totalling kEUR 33.

In 2019, Columbus Spedition GmbH invoiced kEUR 1,764 (2018: kEUR 1,698).

Selling expenses from a non-consolidated subsidiary in the amount of kEUR 335 (2018: kEUR 318).

As at 31 December 2019, business relations with related parties gave rise to liabilities totalling kEUR 231.

On 22 December 2015, Mr Dirk Ahlers, Ms Friederike Ahlers and Mr Felix Ahlers notified FRoSTA AG of their share in the voting capital.

(56) REMUNERATION PURSUANT TO 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 paid for the financial year 2019 amounted to kEUR 2,140.1 (2018: kEUR 3,057.1). Of this, the fixed remuneration came to kEUR 1,009.0 (2018: kEUR 1,087.1) and the variable remuneration to kEUR 1,131.1 (2018: kEUR 1,970.0).

The total remuneration of former members of the Executive Board was kEUR 45 in the 2019 financial year (2018: kEUR 56). Pension provisions for former Executive Board members amounted to kEUR 0 at the end of the reporting period (2018: kEUR 416).

Remuneration for the purpose of buying shares is subject to a vesting period of five years. The long-term bonus components are based on average performance over three years and are payable at the end of the three-year period.

Total remuneration of the Executive Board in accordance with Section 314 HGB (in EUR)

	2018	2019			
		Target at 100% goal achievement	Goal achievement in % (performance)	Effective remuneration	+/– previous year
Fixed remuneration components					
Fixed salary	926,331			870,938	–6.0 %
Other non-cash benefits	160,748			138,031	-14.1 %
Total fixed remuneration	**1,087,079**			**1,008,968**	**–7.2 %**
Variable remuneration components					
Short-term bonus	1,085,125	1,061,340	57 %	600,841	-44.6%
Long-term bonus	502,367	569,687	70 %	396,482	-21.1%
Remuneration to purchase shares	382,544	542,137	25 %	133,760	–65.0 %
Total variable remuneration	**1,970,036**	**2,173,164**	**52 %**	**1,131,083**	**-42.6%**
Total remuneration	**3,057,115**			**2,140,051**	**-30.0%**

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 totalled kEUR 120, of which kEUR 30 was variable and kEUR 90 was fixed remuneration. The remuneration of the previous year at kEUR 119 comprised variable remuneration of kEUR 29 and fixed remuneration of kEUR 90.

(57) APPROPRIATION OF PROFITS

Based on 6,812,598 no-par value bearer shares, less 10,795 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 6,801,803 no-par value bearer shares entitled to a dividend. At the Annual General Meeting, we will be proposing a gross dividend payment of EUR 1.60 per share corresponding to a total dividend payment of EUR 10,882,884.80. This payment will be taken from the net retained profit for the year reported by FRoSTA AG as at 31 December 2019 of EUR 10,882,884.80. The gross dividend is subject to capital gains tax (25%) amounting to EUR 2,720,721.20 as well as a 5.5% solidarity surcharge of EUR 149,639.67. This results in a net dividend payment of EUR 8,012,523.93. The shareholders of the parent company are fully entitled to the profits. No non-controlling interests are held in the FRoSTA AG Group.

(58) RISK REPORT

The Company secures itself against any risks not related to its core activities, such as currency, liability and property damage risks, by concluding agreements and contracts.

Entrepreneurial market risks are borne by the Group itself. In order to avoid or keep damages as low as possible, an appropriate risk management system has been put in place. The financial instruments presented in the financial statements are subject to market and currency risks. For the presentation of market risks, IFRS 7 requires sensitivity analyses, which show the effects of hypothetical changes in relevant risk variables on earnings and equity. In addition to currency risks, FRoSTA is subject to price risks, in particular for raw materials. Price risks are generally countered by limiting the term of long-dated contracts. The periodic effects are determined by relating the hypothetical changes in the risk variables to the portfolio of financial instruments at the end of the reporting period.

Currency risks arise from purchase contracts in foreign currencies. FRoSTA counters exchange rate risks with currency hedging transactions. The currency sensitivity analyses are based on the following assumptions: significant primary monetary financial instruments (cash and cash equivalents, receivables, interest-bearing debt, non-interest-bearing liabilities) are directly denominated in the functional currency. For foreign currency transactions, the foreign currency risk is limited by derivative financial instruments such as forward exchange contracts. A foreign currency requirement is determined on the basis of the contracts concluded with suppliers in foreign currencies. When calculating the USD calculation rate, a USD hedging requirement in the amount of the planned requirements for the following 4 months is assumed. For currency hedging purposes, a calculation rate is determined that is influenced by the exchange rate development. Currency management over the planned period of 4 months limits currency risks, but does not completely rule them out.

Detailed information on corporate risks can be found in the combined management report and Group management report of FRoSTA AG.

Bremerhaven, 24 February 2020

The Executive Board

Felix Ahlers Maik Busse Hinnerk Ehlers

RESPONSIBILITY STATEMENT IN ACCORDANCE WITH SECTION 297 (2) SENTENCE 4 HGB AND SECTION 315 (1) SENTENCE 6 HGB

To the best of our knowledge, and in compliance with the applicable financial reporting standards, the consolidated annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the combined management report provides a faithful and accurate review of the development and performance of the business and the position of the Group, and outlines the significant opportunities and risks associated with the expected development of the Group.

Bremerhaven, 24 February 2020

Felix Ahlers Maik Busse Hinnerk Ehlers

INDEPENDENT AUDITOR'S 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 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January 2019 to 31 December 2019, and the notes to the consolidated financial statements, including the recognition and measurement principles presented therein. In addition, we have audited the combined Group management report (report on the situation of the Company and the Group) of FRoSTA Aktiengesellschaft for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the elements of the combined management report included under the heading „Other information" below.

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 International Financial Reporting Standards (IFRSs) as adopted by the EU and the supplementary provisions of German law pursuant to Section 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2019 and of its financial performance for the financial year from 01 January 2019 to 31 December 2019 in accordance with German legally required accounting principles, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined 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 audit opinion on the combined management report does not cover the elements of the combined management report included under the heading „Other information" below.

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 combined management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and the combined 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 responsibility under those requirements and principles are further described in the "Auditor's responsibility for the audit of the consolidated financial statements and the combined management report" section of our auditor's 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 combined 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.

Our opinions on the consolidated financial statements and combined management report do not cover the other information, and we therefore do not provide an opinion or any other form of audit conclusion on these matters.

In connection with our audit, our responsibility is to read the other information and to assess whether the other information

- is inconsistent in any material respect with the consolidated financial statements, the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be misstated in any material respect.

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the supplementary provisions of German law pursuant to Section 315e (1) HGB, and for the preparation of consolidated financial statements that give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in accordance with these requirements. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the 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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined 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 combined 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 combined 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 combined management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED 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 or error, and whether the combined management report as a whole provides an appropriate view of the Company'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 auditor's report that includes our opinions on the consolidated financial statements and on the combined 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 combined 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 combined 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 combined 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 auditor's report to the related disclosures in the consolidated financial statements and in the combined 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 auditor's 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 that comply with IFRSs as adopted in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB give a true and fair view of the assets, liabilities, financial position and financial performance of the Group.
- 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 combined 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 combined management report with the consolidated financial statements, its conformity with [German] law and the view of the Company's position it provides.
- Perform audit procedures for the forward-looking disclosures made by the executive directors in the combined 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, 25 February 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Sabath	signed Renken
German Public Auditor	German Public Auditor

HARVESTED – NOT CAUGHT

THE FIRST PLANT-BASED FISH FROM FRoSTA

ANNUAL FINANCIAL STATEMENTS OF FRoSTA AG

INCOME STATEMENT OF FRoSTA AG IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

Income statement of FRoSTA AG in Accordance with the german commercial code (HGB) (in kEUR)

		2018	2019	Impact on profit/loss
1.	**Sales**	**424,173**	**444,808**	**4.9%**
2.	Decrease/increase in inventories of unfinished goods	-5,589	3,266	>100.0%
3.	Other own work capitalised	1	56	>100.0%
4.	Other operating income – of which from currency translation: kEUR 1,163 (2018: kEUR 255)	15,604	9,712	-37.8%
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	-264,195	-295,056	-11.7%
	b) Cost of purchased services	-9,223	-9,667	-4.8%
		-273,418	**-304,723**	**-11.4%**
6.	Personnel expenses			
	a) Wages and salaries	-52,839	-51,954	1.7%
	b) Social security, post-employment and other employee benefit costs – of which in respect of post-employment benefits: kEUR 7 (2018: kEUR 69)	-9,311	-9,900	-6.3%
		-62,150	**-61,854**	**0.5%**
7.	Amortisation and write-downs of intangible fixed assets, depreciation and write-downs of tangible fixed assets	-10,668	-12,423	-16.5%
8.	Other operating expenses – of which from currency translation: kEUR 619 (2018: kEUR 1,012)	-67,558	-72,800	-7.8%
9.	**Operating result**	**20,395**	**6,042**	**-70.4%**
10.	Income from long-term equity investments	49	566	>100.0%
11.	Other interest and similar income – of which from affiliated companies: kEUR 69 (2018: kEUR 148)	172	195	13.4%
12.	Interest and similar expenses – of which to affiliated companies: kEUR 3 (2018: kEUR 23) – of which from discounting kEUR 56 (2018: kEUR 68)	-872	-586	32.8%
13.	Taxes on income	-7,362	-837	88.6%
14.	Earnings after taxes	12,382	5,380	-56.5%
15.	Other taxes	-177	-177	0.0%
16.	Net income for the year	12,205	5,203	-57.4%
17.	Withdrawals from other revenue reserves	0	5,680	> 100.0%
18.	**Net retained profits**	**12,205**	**10,883**	**-10.8%**

BALANCE SHEET OF FRoSTA AG IN ACCORDANCE WITH HGB – ASSETS

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

Balance sheet of FRoSTA AG — Assets (in kEUR)

	2018	2019	Change
A. Fixed Assets			
I. Intangible assets			
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets			
	9,035	**11,420**	**26.4%**
II. Tangible assets			
1. Land, land rights and buildings	23,489	24,128	2.7%
2. Technical equipment and machinery	45,239	49,583	9.6%
3. Other operating and office equipment	12,361	12,281	-0.6%
4. Prepayments and assets under construction	4,851	2,187	-54.9%
	85,940	**88,179**	**2.6%**
III. Long-term financial assets			
1. Shares in affiliated companies	11,249	11,289	0.4%
2. Other long-term equity investments	17	17	0.0%
3. Long-term securities and shares in cooperatives	6	6	0.0%
	11,272	**11,312**	**0.4%**
	106,247	**110,911**	**4.4%**
B. Current Assets			
I. Inventories			
1. Raw materials, consumables and supplies	28,074	24,715	-12.0%
2. Work in progress	16,112	14,991	-7.0%
3. Finished goods and merchandise	19,059	22,326	17.1%
	63,245	**62,032**	**-1.9%**
II. Receivables and other assets			
1. Trade receivables	48,923	43,580	-10.9%
2. Receivables from affiliated companies	21,037	19,059	-9.4%
3. Other assets	8,251	8,724	5.7%
	78,211	**71,363**	**-8.8%**
III. Cash-in-hand, bank balances and cheques	1,863	5,556	>100.0%
	143,319	**138,951**	**-3.0%**
C. Prepaid Expenses	**600**	**665**	**10.8%**
D. Excess of plan assets over pension liability	**41**	**98**	**> 100.0%**
Balance sheet total	**250,207**	**250,625**	**0.2%**

BALANCE SHEET OF FRoSTA AG IN ACCORDANCE WITH HGB – EQUITY AND LIABILITIES

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

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

	2018	2019	Change
A. Equity			
I. Issued capital			
1. Subscribed capital	17,440	17,440	0.0 %
2. Treasury shares	–2	-27	> 100.0 %
	17,438	**17,413**	-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	77,757	72,863	-6.3%
	77,957	**73,063**	**-6.3%**
IV. Net retained profits			
	12,205	**10,883**	**-10.8%**
	119,047	**112,806**	-5.2%
B. Provisions			
1. Provisions for pensions and similar obligations	470	74	-84.3%
2. Provisions for taxes	3,624	1,065	-70.6%
3. Other provisions	25,740	24,647	-4.2%
	29,834	**25,786**	**-13.6%**
C. Liabilites			
1. Liabilities to banks	42,211	55,698	32.0%
2. Trade payables	39,405	35,833	-9.1%
3. Liabilities to affiliated companies	16,382	16,945	3.4%
4. Other liabilities – of which from taxes: kEUR 603 (2018: kEUR 564)	3,328	3,557	6.9%
	101,326	**112,033**	**10.6%**
Balance sheet total	**250,207**	**250,625**	**0.2%**

STATEMENT OF CHANGES IN FIXED ASSETS OF FRoSTA AG

ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

Statement of changes in fixed assets of FRoSTA AG (in kEUR)

	Purchase and production costs				
	as at 01/01/2019	Additions	Disposals	Reclassifi-cations	as at 31/12/2019
I. Intangible assets					
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	22,862	1,927	0	1,451	26,240
	22,862	**1,927**	**0**	**1,451**	**26,240**
II. Tangible assets					
1. Land, land rights and buildings	81,371	2,149	0	421	83,941
2. Technical equipment and machinery	166,244	8,784	2,495	2,440	174,973
3. Other equipment, operating and office equipment	53,904	2,241	394	311	56,062
4. Prepayments and assets under construction	4,851	1,959	0	-4,623	2,187
	306,370	**15,133**	**2,889**	**-1,451**	**317,163**
III. Long-term financial assets					
1. Shares in affiliated companies	11,701	40	0	0	11,741
2. Loans to affiliated companies	301	0	0	0	301
3. Other long-term equity investments	193	0	0	0	193
4. Long-term securities and shares in cooperatives	6	0	0	0	6
5. Other loans	22	0	0	0	22
	12,223	**40**	**0**	**0**	**12,263**
	341,455	**17,100**	**2,889**	**0**	**355,666**

Cumulative depreciation, amortisation and write-downs					Net carrying amount	
as at 01/01/2019	Additions	Disposals	Write-ups	as at 31/12/2019	as at 31/12/2019	as at 31/12/2018
13,827	993	0	0	14,820	11,420	9,035
13,827	**993**	**0**	**0**	**14,820**	**11,420**	**9,035**
57,882	1,931	0	0	59,813	24,128	23,489
121,005	6,874	2,489	0	125,390	49,583	45,239
41,543	2,625	387	0	43,781	12,281	12,361
0	0	0	0	0	2,187	4,851
220,430	**11,430**	**2,876**	**0**	**228,984**	**88,179**	**85,940**
452	0	0	0	452	11,289	11,249
301	0	0	0	301	0	0
176	0	0	0	176	17	17
0	0	0	0	0	6	6
22	0	0	0	22	0	0
951	**0**	**0**	**0**	**951**	**11,312**	**11,272**
235,208	12,423	2,876	0	244,755	110,911	106,247

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE 2019 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 financial statements of FRoSTA Aktiengesellschaft (in the following FRoSTA AG) are 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).

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

(2) ACCOUNTING POLICIES AND MEASUREMENT METHODS

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

INCOME STATEMENT

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

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 used. Costs for research and development were therefore expensed in full. Purchased trademark rights are capitalised at cost. Due to their unlimited use, these assets are not amortised over a planned useful life. They are tested annually against their recoverable amount, and written down as required.

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

Depreciation is calculated on the basis of the normal useful life of the assets concerned. A transition from the declining-balance method to the straight-line method is made as soon as this leads to higher depreciation rates. This rule applies to additions to fixed assets up to 31 December 2009. From 1 January 2010, additions to fixed assets have been depreciated according to the straight-line method based on their economic useful lives.

Depreciation period of tangible assets

	Useful life in years
Buildings	25 – 40
Other constructions	12 – 19
Plant and machinery	7 – 15
IT equipment	3 – 7
Other operating and office equipment	5 – 13

Write-downs are recognised for expected permanent impairments.

Low-value assets with purchase costs of up to EUR 250.00 are recorded as expenditure in the year in which they are acquired. In the case of costs 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 costs of the subsidised assets.

Financial assets are recognised at cost less any write-downs to their fair value. In the event of permanent impairment, financial assets are carried at cost less 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 costs of raw materials, supplies and goods are based on the purchase prices plus incidental acquisition expenses less purchase price reductions.

In addition to direct costs, production costs also include an appropriate share of the production and material overheads as well as of the depreciation 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 measured at the lower of cost or market value and recognised for inventory risks due to excessive storage times or reduced usability. Allowances for finished goods as at the balance sheet date amounted to kEUR 871 (2018: kEUR 553) as well as kEUR 206 (2018: kEUR 67) for raw materials, consumables and supplies.

Receivables and other assets are shown at nominal value.

Default and credit risks are accounted for by specific or general bad debt allowances. The percentage used to calculate the general bad debt allowance is 1.0.

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 allocable to future periods.

DEFERRED TAXES

Deferred taxes on temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income measured under German GAAP and for tax purposes are shown net. 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 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. If the fair value of the assets is higher than the amount of the liabilities, this is shown as an excess of plan assets over pension liability.

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 by Dr Klaus Heubeck.

The following additional assumptions are used:

- Assumed interest rate p.a.: 2.72% (10-year average)
- Pension trend p.a.: 1.10%

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 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. The provisions are recognised in the amount deemed necessary according to prudent business judgement to meet the future obligations.

Partial retirement obligations are measured in accordance with statement IDW RS HFA 3 published by the Accounting and Auditing Board (HFA) of the Institute of Public Auditors in Germany (IDW). Interest expense is recognised in the financial result.

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.

Time account reinsurance policies have been taken out to cover partial retirement commitments. For the offsetting of liabilities against assets and income and expenses, please refer to the section "Excess of plan assets over pension liability".

LIABILITIES

Liabilities are recognised with the amount to be paid at the balance sheet date.

DEFERRED INCOME

Deferred income relates to payments received prior to the reporting date of the financial statements which represent income allocable to future periods.

CURRENCY TRANSLATION

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

Trade payables in foreign currencies are generally measured at the average exchange rate at the balance sheet date. Unrealised profits and losses are recognised. Derivative financial instruments, in contrast, are recognised according to the imparity principle, i.e. provisions are created for unrealised losses whereas unrealised gains (profits) are not recognised.

NOTES TO THE BALANCE SHEET

(3) FIXED ASSETS

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

In the 2019 financial year, no write-downs were recognised (2018: kEUR 0) with respect to the financial assets of FRoSTA AG.

The value of recognised transport pallets was fixed at kEUR 421 (2018: kEUR 421).

The impairment in relation to the purchase or production costs of fixed assets to which investment grants and subsidies relate as at 31 December 2019 amounted to kEUR 357 (2018: kEUR 456). The reversal of investment grants and subsidies of kEUR 99 (2018: kEUR 117) directly reduced gross depreciation/amortisation.

Long-term equity investments (in kEUR)

Name of entity	Share of capital in %	Subscribed capital	Equity	Annual profit/loss 2018	Annual profit/loss 2019
1. COPACK Tiefkühlkost-Produktions GmbH, Bremerhaven	100.00	256	233	– 3	– 2
2. FRoSTA Tiefkühlkost GmbH, Bremerhaven	100.00	255	268	1	1
3. FRoSTA Foodservice GmbH, Bremerhaven	100.00	256	271	1	1
4. TIKO Vertriebsgesellschaft mbH, Bremerhaven	100.00	256	278	1	2
5. FRoSTA Sp. z o.o., Bydgoszcz/Poland	100.00	8,217	58,689	7,427	5,560
6. COPACK France S.a.r.l., (formerly FRoSTA France S.a.r.l.) Boulogne-Billancourt/France	100.00	153	404	26	1
7. FRoSTA CR s.r.o., Prague/Czech Republic	100.00	39	247	6	8
8. FRoSTA Hungary Kft., Esztergom/Hungary	100.00	20	79	2	8
9. FRoSTA S.r.l., Rome/Italy	100.00	500	2,954	157	1,376
10. Copack Sp. z o.o., Bydgoszcz/Poland	100.00	16	1	0	0
11. Columbus Spedition GmbH, Bremerhaven	33.33	225	423[1]	123	[2]

[1] relates to 2018, [2] no data available

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 (4)

Receivables from affiliated companies included receivables from intercompany deliveries and services amounting to kEUR 8,221 (2018: kEUR 11,337) and current account transactions amounting to kEUR 1,244 (2018: kEUR 926) and from financing activities in an amount of kEUR 9,594 (2018: kEUR 8,774).

Of the other assets, kEUR 4,413 (2018: kEUR 6,594) have a residual term of more than one year.

As at 31 December 2019, trade receivables of kEUR 25,023 (2018: kEUR 14,078) were sold in asset-backed security transactions. The sale of the receivables made funds amounting to kEUR 19,995 available at an earlier date. Conversely, charges of kEUR 151 were incurred.

Of the other assets, kEUR 181 (2018: kEUR 224) have a residual term of more than one year.

(5) EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

The excess of plan assets over pension liability amounted to kEUR 98 (2018: kEUR 41). This amount is subject to a distribution restriction. The fair value of assets invested amounted to kEUR 436 (2018: kEUR 394); procurement costs amounted to kEUR 431 (2018: kEUR 392).

The assets in question were reinsurance policies to cover pension obligations.

(6) EQUITY

At 31 December 2019, 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 10 May 2019, it was decided to allocate the sum of EUR 1,319,447.68 from the net retained profits of EUR 12,204,690.88 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 534).

A total of 10,795 FRoSTA AG no-par value bearer shares held as treasury shares with a nominal value of EUR 27,635.20 or 0.16% of the share capital were offset against equity. The purchase cost amount of kEUR 608,520.50 exceeding the nominal value is reported as a reduction of revenue reserves.

These 10,795 no-par value bearer treasury shares result from the following purchase and sales transactions:

In addition to the 963 treasury shares with a nominal value of EUR 2,465.28 acquired in a share buyback between 30 January 2018 and 08 October 2018, FRoSTA AG acquired a further 30,000 treasury shares in a share buyback between 11 April 2019 and 1 August 2019. This corresponds to a nominal amount of EUR 76,800.00, or 0.44% of the share capital. This cost the Company EUR 1,770,125.00, which equates to a weighted average price of EUR 59.00 per share.

FRoSTA AG subsequently sold a total of 20,168 no-par value bearer treasury shares as part of various share-based payments and employee share programmes. This corresponds to a nominal amount of EUR 51,630.08 or 0.30% of the share capital as at 31 December 2019. For 18,375 no-par value bearer shares sold under an employee share programme, FRoSTA AG received a total of EUR 337,365.00 to be used as it sees fit. As part of a bonus scheme, the Company issued 1,793 shares to employees at management level.

The share buybacks were quantified on the basis of the previous year's share-based payments and employee share programmes. Since fewer shares were sold under the employee share programme in the financial year 2019, the number of treasury shares has increased to 10,795. 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.

(7) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The amount required to cover pension provisions applies exclusively to pensioners already receiving a pension. The carrying amount pursuant to Section 253 (2) HGB applying the ten-year average interest rate of 2.72% was kEUR 74 in the financial year 2019. Applying the seven-year average interest rate pursuant to Section 253 (6) HGB of 1.97% would have produced a carrying amount of kEUR 78.

In 2018, the carrying amount applying a seven-year average interest rate of 2.33% was kEUR 493. The difference amounting to kEUR 4 (2018: kEUR 23) is subject to a distribution restriction.

OTHER PROVISIONS (8)

Other provisions comprised provisions for personnel expenses amounting to kEUR 7,936. This included provisions for jubilee benefits with a settlement amount of kEUR 1,959. The discount rate on which this was based was 1.97%, assuming a residual term of 15 years.

Provisions for partial retirement were recognised with a settlement amount of kEUR 399. This was determined based on an interest rate of 1.97% (Section 253 (2) Sentence 1 HGB). As the plan assets in the amount of kEUR 435 are assigned on the basis of individual partial retirement obligations, the principle of item-by-item measurement resulted in an excess of assets of kEUR 98 as well as a provision for partial retirement obligations of kEUR 62.

Additional provisions were also recognised for outstanding invoices amounting to kEUR 4,094. Other provisions also related to obligations arising from sales-related agreements on terms and conditions totalling kEUR 9,672.

LIABILITIES (9)

Liabilities (in kEUR)

	Total amount	of which due within		
		up to 1 year	more than 1 year	more than 5 years
Liabilities to banks (previous year)	55,698 (42,211)	38,868 (18,507)	16,830 (23,704)	2,021 (4,059)
Trade payables (previous year)	35,833 (39,405)	35,833 (39,405)	0 (0)	0 (0)
Liabilities to affiliated companies (previous year)	16,945 (16,382)	16,945 (16,382)	0 (0)	0 (0)
Other liabilities (previous year)	3,557 (3,328)	3,557 (3,328)	0 (0)	0 (0)
	112,033 (101,326)	**95,203 (77,622)**	**16,830 (23,704)**	**2,021 (4,059)**

The liabilities to banks were guaranteed by mortgages amounting to kEUR 6,852 (2018: kEUR 8,866) and similar rights amounting to kEUR 389 (2018: kEUR 611) (total kEUR 7,241; 2018: kEUR 9,477).

The customary retentions of title apply to trade payables.

Liabilities to affiliated companies resulted from intercompany deliveries and services amounting to kEUR 10,701 (2018: kEUR 10,496) and current account transactions amounting to kEUR 6,244 (2018: kEUR 5,886) and from financing activities in an amount of kEUR 0 (2018: kEUR 0).

NOTES TO THE INCOME STATEMENT

(10) SALES

Sales by region (in mEUR)

	2018	2019	Change
Germany	331	351	6.0%
Outside Germany	137	146	6.6%
	468	**497**	**6.2%**
Sales allowances	44	52	18.2 %
	424	**445**	**5.0 %**

Sales by product group (in mEUR)

	2018	2019	Change
Fish	167	172	3.0%
Fruit and vegetables	113	120	6.2%
Ready meals and other products	144	153	6.3%
	424	**445**	**5.0%**

PRIOR-PERIOD INCOME AND EXPENSES AND EXPENSES AND INCOME OF AN EXTRAORDINARY NATURE (11)

The income statement of FRoSTA AG includes income relating to prior accounting periods of kEUR 4,289 (2018: kEUR 7,408) and expenses relating to prior accounting periods in the amount of kEUR 562 (2018: kEUR 250). Prior-period income mainly relates to the derecognition of advertising expense allowances and bonus payments, the reversal of personnel provisions and other provisions. In the financial year 2019, expenses of an extraordinary nature or extraordinary significance amounting to kEUR 941 were incurred. The extraordinary expenses result from penalties.

OFFSETTING OF INCOME AND EXPENSES (12)

Income from plan assets amounting to kEUR 1 (2018: kEUR 1) was offset against interest expense for partial retirement benefit obligations amounting to kEUR 7 (2018: kEUR 6).

TAXES ON INCOME (13)

This item includes, among other things, tax income of kEUR 971 (2018: tax expenses of kEUR 938) relating to prior accounting periods.

Deferred taxes on temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income measured under German GAAP and for tax purposes are shown net:

Deferred tax assets and liabilities (in kEUR)

	31.12.2018		31.12.2019	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	0	139	0	174
Tangible assets	0	98	0	21
Other financial assets	633	0	633	0
Prepaid expenses/deferred income	0	0	0	0
Provisions for pensions	29	0	5	0
Other provisions	246	0	261	0
Trade payables	0	13	0	17
Total	**908**	**250**	**899**	**212**
Netting	-250	-250	-212	-212
Balance	**658**	**0**	**687**	**0**

The temporary differences were measured based on the combined tax rate of corporation tax and trade tax of 30.66% (2018: 30.66%). The resulting theoretical tax relief was not recognised in accordance with the option as set forth in Section 274 HGB, as amended.

OTHER DISCLOSURES

(14) Other financial obligations

Other financial obligations (in kEUR)

	31.12.2018	31.12.2019
Obligations arising from current lease agreements	2,468	1,968
Obligations under current rental and maintenance contracts	3,152	3,489
Purchase commitments from expansion investments	6,429	2,948
Consignment agreements	2,432	1,867
	14,480	**10,272**

Remaining maturities of rental, maintenance and lease agreements as at 31 December 2019 (in kEUR)

	< 1 year	1 – 5 years	> 5 years
Future payments from current lease agreements	746	1,222	0
Future payments from current rental and maintenance contracts	2,811	673	5
Purchase commitments from expansion investments	2,948	0	0
Consignment agreements	1,867	0	0
	8,372	**1,895**	**5**

(15) HEDGING TRANSACTIONS/DERIVATIVES

Currency hedging is used to hedge outgoing payments in USD. Derivative financial instruments are accounted for at cost when purchased. As at the balance sheet date, the banks determine the fair values 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 are not recognised. These are reported under other provisions. Interest rate swaps are entered into in order to hedge interest risks.

The following table shows the individual financial instruments. The fair values were determined on the basis of the individual closing rate.

Hedging transactions/derivatives

Financial instrument	Type	Period	Underlying transaction	Scope in kEUR	Fair value in kEUR
Currency forwards	Purchase kUSD	25/1/2019 until 17/12/2019	15,960	14,288	-113
Currency swaps	Purchase kUSD		0	0	0

(16) 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.

(17) NUMBER OF EMPLOYEES

Employees (annual average)

	2018	2019
Wage earners	792	792
Salaried staff	334	339
Number of employees pursuant to Section 285 No. 7 HGB	**1,126**	**1,131**
Apprentices	32	31
	1,158	**1,162**

(18) EXECUTIVE BOARD

The following persons were members of the Executive Board of FRoSTA AG in the financial year 2019:

- Felix Ahlers, businessman, Hamburg, Chairman As at 31 December 2019: 2,290,480 FRoSTA shares = 33.6%.
- Hinnerk Ehlers, businessman, Hamburg, Vice President Marketing, Sales and Human Resources
- Maik Busse, businessman, Bremerhaven, Vice President Business Partnering and Administration
- Jürgen Marggraf, businessman, Bremen, Vice President Operations, Vice Chairman (until 31 March 2019)

The total number of FRoSTA shares owned by the Executive Board as at 31 December 2019 was 2,300,652 shares = 33.8%.

SUPERVISORY BOARD (19)

The following persons were members of the Supervisory Board of FRoSTA AG in the financial year 2019:

- Dirk Ahlers, businessman, Hamburg, Chairman of the Supervisory Board, former Chairman of the Executive Board
  As at 31 December 2019:
  681,159 FRoSTA shares = 10.0%.
- Volker Kuhn, businessman, Geneva, Switzerland, Vice Chairman of the Supervisory Board, Procter & Gamble
- Jürgen Schimmelpfennig, Chairman of the Works Council of FRoSTA AG, Bremerhaven (until 21 May 2019)
- Torsten Richter, employee of FRoSTA AG, Lommatzsch (since 22 May 2019)

The total number of FRoSTA AG shares owned by the Supervisory Board as at 31 December 2019 was 681,159 shares = 10.0%.

(20) 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 total remuneration of the Executive Board of FRoSTA AG paid in the 2019 financial year amounted to kEUR 2,140.1 (2018: kEUR 3,057.1). Of this, the fixed remuneration came to kEUR 1,009.0 (2018: kEUR 1,087.1) and variable remuneration to kEUR 1,131.1 (2018: kEUR 1,970.0).

The total remuneration of former members of the Executive Board of FRoSTA AG was kEUR 45 in the financial year (2018: kEUR 56). Pension provisions for former Executive Board members of FRoSTA AG amounted to kEUR 0 on the balance sheet date (2018: kEUR 392).

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 120 (2018: kEUR 119), of which kEUR 30 (2018: kEUR 29) was variable remuneration and kEUR 90 (2018: kEUR 90) was fixed remuneration.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

No significant events having a material impact on the net assets, financial position and results of operations as at 31 December 2019 occurred after the balance sheet date.

OTHER (21)

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 PROFITS (22)

Based on 6,812,598 no-par value bearer shares, less 10,795 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 6,801,803 no-par value bearer shares entitled to a dividend. At the Annual General Meeting, we will be proposing a gross dividend payment of EUR 1.60 per share corresponding to a total dividend payment of EUR 10,882,884.80. This payment will be taken from the net income for the year reported by FRoSTA AG as at 31 December 2019 of EUR 10,882,884.80.

Bremerhaven, 24 February 2020

The Executive Board

Felix Ahlers Maik Busse Hinnerk Ehlers

RESPONSIBILITY STATEMENT IN ACCORDANCE WITH SECTION 289 (1) SENTENCE 5 HGB

To the best of our knowledge, and in compliance with the applicable financial reporting standards, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report provides a faithful and accurate review of the development and performance of the business and the position of the Company, and outlines the significant opportunities and risks associated with the expected development of the Company.

Bremerhaven, 24 February 2020

Felix Ahlers Maik Busse Hinnerk Ehlers

INDEPENDENT AUDITOR'S 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 2019 and the income statement for the financial year from 1 January 2019 to 31 December 2019, and the notes to the annual financial statements, including the recognition and measurement principles presented therein. In addition, we have audited the combined management report (report on the situation of the Company and the Group) of FRoSTA Aktiengesellschaft for the financial year from 1 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Section 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code].

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 provisions of German commercial law for stock corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 December 2019 and of its financial performance for the financial year from 1 January 2019 to 31 December 2019 in compliance with German Generally Accepted Accounting Principles. and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined 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 audit opinion on the combined management report does not cover the content of the aforementioned corporate governance statement.

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 combined management report.

BASIS FOR THE OPINIONS

We conducted our audit of the annual financial statements and the combined 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 "Auditor's responsibility for the audit of the annual financial statements and of the combined management report" section of our auditor's 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 combined 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.

Our opinions on the annual financial statements and combined management report do not cover the other information, and we therefore do not provide an opinion or any other form of audit conclusion on these matters.

In connection with our audit, our responsibility is to read the other information and to assess whether the other information

- is inconsistent in any material respect with the annual financial statements, the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be misstated in any material respect.

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the provisions of German commercial law for stock corporations, and for the preparation of annual financial statements that give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in accordance with these requirements. In addition, the executive directors are responsible for such internal control as they have determined necessary in compliance with German Generally Accepted Accounting Principles to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud 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 unless factual or legal circumstances conflict with this.

Furthermore, the executive directors are responsible for the preparation of the combined 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 combined 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 combined 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 combined management report.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED 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 or error, and whether the combined 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 auditor's report that includes our opinions on the annual financial statements and on the combined 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 combined 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 combined 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 combined 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 auditor's report to the related disclosures in the annual financial statements and in the combined 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 auditor's 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 present the underlying transactions and events in a manner that the annual financial statements in compliance with German Generally Accepted Accounting Principles give a true and fair view of the assets, liabilities, financial position and financial performance of the Company.
- Evaluate the consistency of the combined 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 for the forward-looking disclosures made by the executive directors in the combined 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, 25 February 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Sabath	signed Renken
German Public Auditor	German Public Auditor

TEN-YEAR OVERVIEW FOR THE FRoSTA GROUP

Ten-year overview for the FRoSTA Group

		2019	2018	2017
Employees (average)	Anzahl	1,852 [3]	1,778 [3]	1,709
Revenue	mEUR	523	509	501
EBITDA	mEUR	34.9	46.6	49.3
Consolidated profit/loss	mEUR	12.6	20.0	23.4
Capital expenditure	mEUR	24.3	37.3	31.6
Shares	Anzahl	6,812,598	6,812,598	6,812,598
Total dividend	kEUR	10,900 [4]	10,900	10,900
Dividend per share	EUR	1.60 [4]	1.60	1.60
Earnings per share	EUR	1.85	2.93	3.43
Non-current assets	mEUR	141.6	135.1	115.3
Current assets	mEUR	190.3	193.5	194.8
Equity	mEUR	171.2	169.5	161.9
Equity ratio		51.6%	51.6%	52.2%
Liabilities to banks	mEUR	55.7	42.2	44.6
Debt ratio [1]		16.8%	12.8%	14.4%
Return on investment [2]		6.9%	12.4%	15.2%

[1] Bank liabilities / (balance sheet total / 100)
[2] [EBIT / average (non-current assets (excl. financial assets) + trade receivables + inventories - trade payables)] × 100 (adjusted for prior years)
[3] 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.
[4] subject to approval by the General Meeting

2016	2015	2014	2013	2012	2011	2010
1,665	1,631	1,559	1,523	1,504	1,528	1,520
466	440	408	386	380	385	393
43.8	38.3	36.2	29.5	21.5	26.0	29.8
21.6	18.2	17.3	12.0	6.1	8.7	9.8
26.0	14.1	16.3	8.4	7.8	8.6	10.7
6,812,598	6,812,598	6,812,598	6,812,598	6,695,900	6,609,188	6,531,457
10,203	9,256	9,247	6,813	5,022	4,957	4,899
1.50	1.36	1.36	1.00	0.75	0.75	0.75
3.17	2.67	2.53	1.80	0.92	1.33	1.52
89.7	76.5	75.4	71.1	75.1	76.8	81.5
181.8	168.2	159.7	150.9	147.2	144.8	144.0
145.7	134.7	125.7	116.6	108.4	105.0	101.2
53.7%	55.1%	53.5%	52.5%	48.7%	47.4%	44.9%
27.6	33.2	29.4	39.1	50.0	55.3	63.6
10.2%	13.6%	12.5%	17.6%	22.5%	25.0%	28.2%
16.0%	13.7%	13.8%	10.5%	5.7%	8.3%	10.6%

REPORT OF THE SUPERVISORY BOARD FOR THE 2019 FINANCIAL YEAR

Dear Shareholders,

In the financial year 2019, the Supervisory Board of FRoSTA AG 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 regularly advised the Executive Board on the running of the Company and continually supported and monitored all executive business activities. 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 and outlook of the Company, the principles of the business policy, the Company's profitability, as well as on important business transactions. Furthermore, between official meetings the Chairman of the Executive Board held personal meetings with the members of the Supervisory Board and in particular with the Supervisory Board Chairman. 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 at all times able to fulfil its monitoring and consulting duties.

MEETINGS AND FOCUS OF CONSULTATIONS

One of the main focuses of regular discussions in the 2019 financial year was the development of the FRoSTA brand. In dialogue with the Executive Board, the Supervisory Board considered possibilities and provided important leads for augmenting the brand's positive development. The Supervisory Board is supporting the Executive Board concerning the focus on the brand business and the associated planned increase in the advertising budget to EUR 16m in 2020.

As in the previous year, the Supervisory Board devoted special attention to the difficult situation on the procurement markets, in particular the market for Alaskan pollack, which is an important variety of fish for FRoSTA AG. The rise in raw material prices, especially for fish, also led to lower earnings than originally planned and forecast.

Another focus of regular consultations in the 2019 financial year was the somewhat disappointing development of the brand business in Italy, which was acquired in 2017, and possible countermeasures. These centred around whether to further extend the "La Valle degli Orti" brand or whether to gradually subsume it under the FRoSTA brand.

Digitalisation and cyber risks also continued to front the discussions.

The Supervisory Board convened four ordinary meetings in 2019, which were attended by all members: on 27 February, 10 May, 13 September and 18 December. At these ordinary meetings, the Supervisory Board received reports from the Executive Board pursuant to Section 90 (1), sentence1, 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 with the following topics at its individual meetings:

On 27 February 2019 with reviewing and adopting the 2018 annual financial statements and a detailed discussion of the business development in Italy, as well as in the Foodservice segment. On 10 May 2019 with preparations for the Annual General Meeting being held the same day. On 13 September 2019 with a discussion of the digitalisation measures already implemented and planned by the Executive Board. On 18 December 2019 with the presentation, discussion and approval of the annual planning for the 2020 financial year. The cyber risks to which FRoSTA AG is exposed were also given careful consideration. Torsten Richter also reported on developments at the production plants and his impressions after his first few months as employee representative on the Supervisory Board.

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The 2019 separate and consolidated annual financial statements and the combined management report for FRoSTA AG and the Group prepared by the Executive Board were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Bremen, as commissioned by the 2018 Annual General Meeting.

BDO AG Wirtschaftsprüfungsgesellschaft, Bremen, examined both the separate and the consolidated financial statements and issued both with unqualified auditor's reports.

The combined management report of FRoSTA AG and the Group was also issued an unqualified auditor's report.

The audit reports were submitted to the members of the Supervisory Board in good time. They were presented by the auditor to the Chairman of the Supervisory Board on 25 February 2020, who duly reviewed them. On 26 February 2020, they were conclusively examined and discussed in detail by the Supervisory Board. For its part, the Supervisory Board thoroughly reviewed the separate financial statements, the consolidated financial statements, the combined management report 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 has no objections either to the separate and consolidated financial statements as at 31 December 2019, or to the combined management report of FRoSTA AG and the Group as at 31 December 2019. The Supervisory Board therefore unanimously approved the separate 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 EXECUTIVE BOARD AND SUPERVISORY BOARD

In the reporting period, the Executive Board was composed of Felix Ahlers (Chairman), Maik Busse, Hinnerk Ehlers and, until 31 March 2019, Jürgen Marggraf. The technology department previously managed by Jürgen Marggraf was transferred to Maik Busse and responsibility for private label sales was assumed by Felix Ahlers and Hinnerk Ehlers.

The members of the Supervisory Board in 2019 were Dirk Ahlers (Chairman), Volker Kuhn (Vice Chairman) and, until 21 May 2019, Jürgen Schimmelpfennig as employee representative, who was succeeded from 22 May 2019 by Torsten Richter as newly appointed employee representative.

COMMITTEES

The Finance and Personnel Committee, composed of Dirk Ahlers and Volker Kuhn, met prior to each Supervisory Board meeting and discussed in advance by phone the detailed monthly earnings figures submitted by the operating units.

The Supervisory Board has not formed any other committees due to its size.

REMUNERATION OF THE EXECUTIVE BOARD

The fixed remuneration decreased by 7.2% as a result of Mr Marggraf's retirement from the Board with effect from 31 March 2019. Also as a consequence of Mr Marggraf's retirement, but primarily attributable to the weaker earnings position, the variable remuneration of the Executive Board decreased by 42.6%.

The remuneration to purchase shares was significantly lower on the back of Mr Marggraf's retirement and the lower earnings.

WORD OF THANKS

The tougher environment in 2019 made higher demands than usual on both the Executive Board and many employees.

The Supervisory Board would like to express its thanks to the Executive Board and to all employees for their commitment.

Bremerhaven, 26 February 2020

For the Supervisory Board

Dirk Ahlers

GROUP STRUCTURE AND ADDRESSES

S Sales P Production

FRoSTA AKTIENGESELLSCHAFT

Am Lunedeich 116
27572 Bremerhaven
Germany
Phone: +49-471-9736-0
Fax: +49-471-75163
E-mail: info@frosta.de

LOCATIONS IN GERMANY — SALES

S **FRoSTA TIEFKÜHLKOST GMBH**
Mendelssohnstraße 15 d
22761 Hamburg
Phone: +49-40-854140-60
Fax: +49-40-854140-88
E-mail: info@frosta.de

S **COPACK TIEFKÜHLKOST PRODUKTIONS GMBH**
Am Lunedeich 116
27572 Bremerhaven
Phone: +49-471-9736-190
Fax: +49-471-72076
E-mail: info@copack.de

S **FRoSTA FOODSERVICE GMBH**
Am Lunedeich 116
27572 Bremerhaven
Phone: +49-471-9736-0
Fax: +49-471-9736-445
E-mail: foodservice@frosta.de

S **TIKO VERTRIEBSGES. MBH**
Am Lunedeich 116
27572 Bremerhaven
Phone: +49-471-9736-198
Fax: +49-471-72076

LOCATIONS IN GERMANY – PRODUCTION

P

F. SCHOTTKE ZWEIGNIEDERLASSUNG DER FRoSTA AG
Am Lunedeich 116
27572 Bremerhaven
Phone: +49-471-9736-0
Fax: +49-471-74349
E-mail: schottke@frosta.de

P

ELBTAL TIEFKÜHLKOST ZWEIGNIEDERLASSUNG DER FRoSTA AG
Messaer Straße 3 – 5
01623 Lommatzsch
Phone: +49-35241-59-0
Fax: +49-35241-59-193
E-mail: elbtal@frosta.de

P

RHEINTAL TIEFKÜHLKOST ZWEIGNIEDERLASSUNG DER FRoSTA AG
Industriestraße 4
67240 Bobenheim-Roxheim
Phone: +49-6239-807-0
Fax: +49-6239-807-163
E-mail: rheintal@frosta.de

LOCATIONS ABROAD

SP

FRoSTA SP. Z O.O.
ul. Witebska 63
85-778 Bydgoszcz
Poland
Phone: +48-52-36 06 700
Fax.: +48-52-34 34 746
E-mail: info@frosta.pl

S

FRoSTA HUNGARY KFT.
Szent Tamás u. 1
2500 Esztergom
Hungary
Phone: + 36-33-500 350
Fax.: + 36-33-500 351
E-mail: info@frosta.hu

S

FRoSTA S.R.L.
Via Palestro 1
00185 Rome
Italy
Phone: + 39-06-687 1749
Fax.: + 39-06-687 3197
E-mail: info@frostaitalia.it

S

FRoSTA ČR S.R.O.
U Nikolajky 833/5
158 00 Praha 5
Czech Republic
Phone: +42 02 51 56 07 35
Fax.: +42 02 51 56 07 39
E-mail: info@frosta.cz

S

FRoSTA ROMANIA
2 Ciresilor Street
Mogosoaia, jud. llfov
Romania
Phone: +40-722-366555
E-mail: info@frosta.pl